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MASSACHUSETTS PORT AUTHORITY • COMPREHENSIVE ANNUAL FINANCIAL REPORT • YEAR ENDED JUNE 30, 2008

MASSACHUSETTS PORT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED 6-30-2008

Report Prepared by
The Administration and Finance Department

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The Administration and Finance department is pleased to issue this comprehensive annual financial report for the fiscal year ended June 30, 2008. We are grateful to each department within the Massachusetts Port Authority for their assistance in the development of this important document.

The staff of the Aviation, Bridge, Maritime, Executive Administration, Capital Program and Environmental Affairs, Legal, Information Technology, Internal Audit, Strategic Communications and Marketing departments helped us to assemble the operational, statistical, and financial components of this annual report which we intend to submit to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting.

The result of the diligent effort put forth by the Massport staff members, including the Administration and Finance team, is a high-quality, informative and comprehensive report that allows the reader to better understand both the operational and financial management of the Aviation, Maritime, and Tobin Bridge business lines with the Massachusetts Port Authority.

The events and accomplishments detailed inside describe just some of the reasons the Massachusetts Port Authority continues to stand apart as a dynamic, versatile and adaptable public authority that for more than half a century has successfully met the challenges of providing for the ever-changing transportation needs of Boston, Massachusetts and New England.

ACI WORLD/NORTH AMERICA CONFERENCE AND EXHIBITION

Massport and Boston hosted a joint ACI World and ACI-North America Conference in September 2008. Each year ACI-NA conducts an annual conference and exhibition in the U.S. or Canada to bring together key industry representatives for lectures, networking and panel discussions. Every five to seven years they combine with ACI World and host a much larger event. More than 2,500 senior aviation industry officials attended the event in Boston. This was the first ACI-World/NA conference held since 2001. Over that three day period key international, federal, state and industry officials met for lectures and toured an exhibition of the industry's newest technology.

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OPERATION READY

Boston Logan International Airport held "Operation Ready 2007"a simulated runway collision involving two passenger aircraft at Boston Logan International Airport. The drill was the world's largest airport-based mass casualty exercise. Some 400 volunteer "victims", triaged in color-coded t-shirts, were the main players in the exercise which mobilized 60 different agencies including 13 area hospitals, 1,000 emergency personnel, some 50 ambulances, 35 fire vehicles, two helicopters, eight boats, and about 20 buses.

Pictured above left to right:
Richard Serino-Boston EMS, Tom Kinton-CEO Massport,
Ed Freni-Director of Aviation Massport

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December 10, 2008

To the Members of the Massachusetts Port Authority:

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the Massachusetts Port Authority (the "Authority" or "Massport") as of and for the fiscal year ended June 30, 2008 ("fiscal year 2008"). This report was prepared by the Authority's Administration and Finance Department. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. This report, in all material respects, fairly presents and discloses the Authority's financial position, results of operations, and cash flows as of and for the year ended June 30, 2008 in accordance with the requirements of accounting principles generally accepted in the United States of America ("GAAP").

Certain information within the CAFR has been presented based on the accounting principles prescribed under the Trust Agreement dated as of August 1, 1978, as amended (the "1978 Trust Agreement"), between the Authority and U.S. National Bank Association (successor to State Street Bank and Trust Company), as Trustee, and under the PFC Trust Agreement dated as of May 1, 1999 (the "PFC Trust Agreement" and together with the 1978 Trust Agreement, the "Trust Agreements") between the Authority and The Bank of New York, as Trustee, (collectively referred to as "Trust Accounting"). Specifically, information within the CAFR under the Annual Disclosure and PFC Disclosure tabs are presented in accordance with the respective Trust Agreements. Please see footnote B in the notes to the financial statements as of June 30, 2008, for the reconciliation between GAAP and Trust Accounting. In addition, statistical tables S-4, S-5 and S-6 included in the Statistical Section of the CAFR present historical financial information based on Trust Accounting, and should be read in connection with the audited financial statements attached hereto.

The CAFR was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA"). The GFOA awards Certificates of Achievement for Excellence in Financial Reporting to those governments or similar entities whose annual financial reports are judged to conform substantially to the high standards of public financial reporting promulgated by the Governmental Accounting Standards Board. GAAP requires that management provide a narrative overview and analysis of the financial results of the Authority to accompany its financial statements in the form of a Management's Discussion and Analysis ("MD&A"). This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the Report of Independent Auditors in the Financial Section of the CAFR.

Overview of the Massachusetts Port Authority

The Authority was created by and exists pursuant to Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the "Enabling Act") and is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth").

The Authority's facilities include airport properties, comprising Boston-Logan International Airport ("Logan Airport") and Laurence G. Hanscom Field ("Hanscom Field"), (collectively "Aviation"); the Maurice J. Tobin Memorial Bridge (the "Bridge"); and the Paul W. Conley Marine Terminal ("Conley Terminal") and various port properties (the "Port"), located in Charlestown, South Boston and East Boston. On January 15, 2000, the Authority also assumed operating responsibility for the Worcester Regional Airport pursuant to an operating agreement (the "Worcester OA") among the Authority, the City of Worcester, Massachusetts and the Worcester Airport Commission. In November 2008, this agreement was extended through December 31, 2010.

Logan Airport is the most active airport in New England and provides both international and domestic commercial service. It is the primary source of the Authority's revenues. Hanscom Field is the region's premier general aviation airport and provides niche commercial service. The Port is New England's major port and provides a full range of services, from cruise ship to container ship handling. The Bridge is one of greater Boston's primary cross-harbor roadway connections and is a part of U.S. Route 1. In addition to operating its facilities, the Authority is committed to providing the modern infrastructure necessary to support the transportation needs of Boston, Massachusetts and New England.

The Authority operates its business to achieve five primary public service objectives which are to:

- maintain and enhance safety and security on Massport-owned facilities;
- provide high quality standards of service, superior facilities and customer convenience to the 27.4 million aviation passengers at Logan Airport, 237,000 cruise passengers, Massport's primary shipping partners that service 124,000 containers of product at the Port and the vehicles using the Tobin Bridge, all in fiscal year 2008;
- keep operating costs low to assist Massport's business partners during this period of economic uncertainty as well as maximize revenue opportunities from all business lines;
- allocate sufficient resources to build and maintain Massport's transportation facilities that promote local and regional economic prosperity and development; and
- establish the Authority as a leader in energy and environmental concerns with initiatives to develop energy management plans focused on reducing the use of fossil fuels while, at the same time, effectively and efficiently operating its facilities and providing services to its constituents.

The Authority's business consists of three distinct operating business lines: Aviation, the Port and the Bridge. During fiscal year 2008, the Authority generated approximately $565.5 million in operating revenues from its three business lines. Operating expenses were approximately $526.4 million for fiscal year 2008, producing net operating income of $39.1 million for fiscal year 2008. This is slightly lower than $39.8 million of operating income earned in fiscal year 2007. The Authority generated $6.7 million in non-operating revenue and received approximately $41.8 million in capital grant revenue from Federal government reimbursements on runway projects. As a result, the Authority realized an increase in net assets of $87.7 million, a $28.0 million increase from fiscal year 2007. The following describes the specific operating business lines and the related drivers of their respective business plans.

Aviation

The financial success of Massport's Aviation unit depends on three primary revenue components: landing fees, terminal rentals and parking fees. Each of these revenue components are driven by specific events, and statistics are evaluated accordingly to ensure that the Authority is maximizing existing revenue and identifying any new potential revenue streams.

Landing fees represent those amounts earned from airlines for their use of the airfield and related infrastructure. These fees are based on the Authority's actual aviation related infrastructure costs, including but not limited to, airfield maintenance, aviation specific capital expenditures and direct and allocated indirect operating costs incurred by the Authority. Landing fees are charged to airlines based on each aircraft's landed weight. The Authority works diligently to ensure that the cost structure associated with maintaining its Aviation assets and infrastructure efficiently supports the airlines. Each investment decision, whether capital or operating in nature, is evaluated to ensure that the Authority invests properly for the benefit of the airlines and the traveling public.

Terminal rents are received by the Authority for space rented by airlines in the terminal buildings. Terminal rental rates are based on the Authority's actual costs of the respective terminals, not on market conditions.

Logan Airport is well-diversified and benefits from a variety of airlines as Aviation customers. This is because Logan Airport operates as an origination and destination airport as opposed to an airport hub. During fiscal year 2008, the largest customer of the Aviation unit accounted for approximately 12.9% of total landing fee and terminal rent revenues. In addition, the top three airlines at Logan Airport accounted for 36.4% of its total landing fee and terminal rental revenues, which is consistent with fiscal year 2007.

Parking fees are earned from the use of the Authority's parking facilities. Parking revenue is dependent upon three key components: the number of vehicle exits, length of stay and parking rates.

Currently, Massport is operating in a period of economic uncertainty in the aviation industry and the economy as a whole, but the Authority's management believes that the Aviation business can withstand these turbulent economic times based on the following three strategic advantages: (i) Logan Airport serves the 11th largest origin and destination market in the United States and nine out of ten passengers using Massport's facilities call the Boston area home or come to the region to visit, vacation or to conduct business, (ii) Logan Airport is the second largest U.S. international gateway airport among non-hub airports based on the number of international passengers, and (iii) Logan Airport is less exposed to industry consolidations since few airlines have overlapping routes, no single carrier dominates service and Logan Airport does not serve as any airline's hub.

The Port

The Authority owns, manages, develops and operates the public cargo and passenger terminals of the Port. The Port is New England's major port and the only port in the region that provides the full range of services to the maritime shipping industry, including, container handling, cruise ships and automobile cargo holding. The Port experienced an increase in operating activity with respect to container volume from far east shipping lines during fiscal year 2008. As a result, overall container volume increased approximately 6.9% during fiscal year 2008. The Port experienced annual compounded growth rates in revenue of approximately 10.8% and 8.1% over the past five and ten years, respectively.

The Bridge

The Bridge is used by approximately 10.8 million in-bound traveling vehicles annually to cross the Mystic River from the City of Chelsea to the Charlestown section of the City of Boston, and tolls are levied only on these in-bound vehicles in order to alleviate traffic congestion on the Bridge. This equated to an average of approximately 29,500 toll paying vehicles each day during fiscal year 2008.

Economic Conditions and Local Economy

Recently, airline executives have significantly reduced route capacity, halted newer more efficient airplane orders and have raised existing fees and created new fees in order to generate cash and liquidity to withstand the current global economic slowdown. Against a backdrop of low consumer confidence, an airline industry that is experiencing significant financial and operational pressures and container shipping lines being negatively affected from slower maritime imports, there remain a number of positive economic fundamentals that support the transportation markets the Authority serves. The Massachusetts economy has historically been resilient, and could be in a position to out-perform the national averages. As of June 30, 2008, the state's unemployment rate was lower than the national average. Its per capita personal income is one-third higher than the national average. According to the Bureau of Labor Statistics, the state's seasonally- adjusted unemployment rates were 4.5% and 5.2% as of June 30, 2007 and 2008, respectively, and were below the national seasonally-adjusted unemployment rates of 4.6% and 5.5% as of June 30, 2007 and 2008, respectively.

Since 2001, the global airline industry has undergone substantial structural changes and sustained significant financial losses. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the strength of the U.S. economy, other regional and world economies, corporate profitability, security concerns and other factors. Permanent structural changes to the industry are the result of a number of factors including the impact of fuel costs, passenger volumes and available capacity within the airline industry.

Since 2001, several U.S. air carriers with operations at Logan Airport have filed for bankruptcy protection, including United, Delta, Northwest Airlines, American Trans Air and US Airways (twice), all of which have since emerged from bankruptcy. During fiscal year 2008, ten small or niche airlines have stopped service or declared bankruptcy. It is possible that other airlines may seek bankruptcy protection in the near future.

Legislative Developments

Recently, Massachusetts Governor Deval Patrick publicly announced his intention to file legislation in January 2009 that, among other things, would transfer the operations and assets of the Metropolitan Highway System (the "MHS"), which is currently owned and operated by the Massachusetts Turnpike Authority, to an entity managed by the Authority. The Authority's management, together with the Massachusetts Executive Office of Transportation and the Executive Office of Administration and Finance, is evaluating the organizational, financial and governance structure that best suits the Governor's initiative, while complying with all applicable law and preserving the important transportation mission of the Authority. Any assumption by the Authority of MHS operations would require approval of the Massachusetts legislature.

Major Initiatives

Capital Program

On February 14, 2008, the Members of the Authority approved its capital program for fiscal years 2008 through 2012 (the "FY08-FY12 Capital Program"). The FY08-FY12 Capital Program represents a comprehensive and coordinated capital improvement and financial master plan for all Authority facilities. The program was developed in order to continue to fund security initiatives and airfield operation enhancements, through maximizing Federal Aviation Administration ("FAA") and Transportation Security Administration ("TSA") grant receipts and utilizing a $4.50 Passenger Facility Charge ("PFC"). The FY08-FY12 Capital Program allocates a significant amount of funding to important initiatives including existing security challenges facing the aviation industry, maintaining and enhancing the public airfield and making improvements to the public parking facilities at the Airport. At the same time, the Authority continues to strive to avoid or minimize adverse local and regional impacts associated with operations at the Airport and the Authority's other facilities. The FY08-FY12 Capital Program includes capital projects totaling approximately $899.7 million. Funding for these projects will be provided from a number of sources, primarily bond issuances, grant funding, PFCs and the Authority's own revenues.

During fiscal year 2008, the Authority disbursed approximately $155.2 million on its on-going capital program. Major projects under construction during fiscal year 2008 include the Southwest Taxiway, Centerfield Taxiway, acquisition of the airport roadways, Bridge painting, runway guard lights, taxiway lighting improvements and modifications to the baggage rooms.

Security

The Authority has always placed a high priority on maintaining a strong security program. Since September 11, 2001, it has undertaken numerous new security initiatives including the terminal modifications required to house the TSA's 100%-baggage screening system, a new access control system and various other boundary security measures. In addition, during 2004, TSA increased its standards for maritime security. The Authority submitted its new formal Maritime Security Plans for each of its maritime facilities to the United States Coast Guard as required by TSA. Through June 30, 2008, the

Authority completed over $2.9 million of capital improvements at its maritime facilities to improve perimeter security, access control, emergency power and lighting and other security measures. The Authority continues to place the highest priority on protecting its constituents and making its facilities, Logan Airport, Hanscom Field, the Port and the Bridge, as safe and secure as possible.

Federal Funding

The Authority participates in the FAA's Airport Improvement Program ("AIP"), which provides Airport and Airway Trust Fund money for airport development, airport planning and noise abatement programs. The FAA offers both entitlement and discretionary grants for eligible projects. AIP grant revenue in fiscal years 2008 and 2007 totaled $39.4 million and $9.8 million, respectively. AIP grant revenue represents approximately 94.3% and 91.6% of total capital grant revenue earned during fiscal year 2008 and 2007, respectively.

During fiscal year 2004, the Authority and the FAA executed a Letter of Intent ("LOI") pursuant to which the FAA agreed to provide approximately $90.8 million in grants over an eight-year period to assist the Authority with its airside improvement program. In fiscal year 2008, the Authority secured a $25.4 million grant under the LOI, which was included in the $39.4 million of AIP grant revenue discussed above. In addition, the Authority secured $13.6 million and $15.0 million in AIP grants during fiscal years 2006 and 2005, respectively, under the LOI. Total grants awarded under the LOI through June 30, 2008 were approximately $54.0 million.

Passenger Facility Charge Program

In 1993, the FAA approved the Authority's application to levy a PFC of $3.00. The charge was imposed on tickets sold on and after November 1, 1993. On July 29, 2005, the Authority submitted a request to the FAA to amend the existing PFC authorization to increase the collection amount from $3.00 to $4.50, to decrease the amount of PFCs approved by the FAA to be used for certain completed projects and to increase the FAA approved amount for the International Gateway Project to $483.6 million. On September 2, 2005, the FAA issued a Final Agency Decision increasing the PFC collected from eligible passengers enplaning at Logan Airport to $4.50, effective October 1, 2005, increasing the amount of PFCs that may be used to fund construction and financing costs of the International Gateway Project to $483.6 million and decreasing the amount for certain completed PFC projects. Subsequently, on December 6, 2005, the Authority submitted a PFC Application to the FAA to add ten new projects to Logan Airport's PFC Program, to amend one previously-approved project and to request authority to collect a $4.50 PFC to fund the projects. On April 20, 2006, the FAA issued a Final Agency Decision approving the PFC Application. The Final Agency Decision approved $293.0 million in PFC collection authority for the new projects, resulting in a total PFC collection authority of $995.0 million, and approved $280.2 million in PFC use authority, resulting in a total PFC use authority of $982.2 million. The projected expiration date for the collection of the $4.50 PFC is February 1, 2016. The Authority has not yet sought PFC use authority for the Centerfield Taxiway project.

The Authority pledged PFCs pursuant to the PFC Trust Agreement to secure bonds issued thereunder (the "PFC Bonds") and to fund construction of eligible portions of the FAA-approved projects. In the event that PFC Bond proceeds, PFCs and other funding sources are inadequate to meet anticipated project costs, projects may be deferred, altered or canceled.

Financial Policies and Practices

Internal Control Environment

The Authority follows accounting principles generally accepted in the United States of America applicable to governmental enterprise funds. Accordingly, the Authority's financial statements are prepared on an accrual basis of accounting.

To provide the Authority with reasonable assurance that its financial resources are safeguarded against waste, loss and misuse, and that reliable accounting and financial data are timely, complete, relevant, accurate and fairly disclosed in reports, the Authority has established a system of internal controls. These internal controls provide the Authority with financial and accounting records from which financial statements are prepared. The Authority's Internal Audit function maintains oversight over the key areas of the Authority's business and financial processes and controls. The Authority's Internal Audit team consists of dedicated and effective members who work diligently in evaluating the Authority's internal control structure. In addition, the Authority's Audit and Finance Committee plays a critical role in the oversight of the Authority's internal control structure. This committee meets with the senior staff of the Authority and has regular communication with the Authority's independent auditors, PricewaterhouseCoopers LLP. Internal Audit reports directly to the Authority's Audit and Finance Committee.

Management has established and maintains a system of internal controls to provide reasonable assurance that material financial information required to be disclosed by the Authority in its CAFR is recorded, processed, summarized and reported to management in a timely manner. Management has reviewed the Authority's current controls and procedures within the past 90 days and believes that such controls and procedures provide reasonable assurance as to the integrity and accuracy of the financial statements, in all material respects. The concept of reasonable assurance is based on the recognition that the cost of controls should not exceed the relative benefit of such controls, and requires estimates and judgment by management.

Budgetary Controls

Budgeting control and evaluation are accomplished by comparing actual interim and annual results with the budget. The Authority prepares budget and non-GAAP actual financial statements on a monthly basis and prepares unaudited GAAP financial statements on a quarterly basis.

If significant changes occur in the amounts available from expected funding sources, or if the costs of certain projects increase significantly, the Authority will reduce the scope of proposed projects, the overall capital program or both. Many of the commitments within the Authority's capital plan have already been authorized by the Authority and extend over several years. Nevertheless, each project within its capital program is a separate "module" that the Authority approves individually along with a separate project budget. This permits the Authority to undertake the construction and financing of each of these additional projects independently of other capital projects. The Authority believes that the modular design of the capital program significantly increases its ability to make adjustments in capital spending when necessary.

Accountability for Performance

The Authority's three operating departments, Aviation, Port and Bridge, have distinct profit and loss responsibility. The staff overseeing the operation of the Authority's facilities is charged with balancing financial performance with operational demands and customer service as well as forecasting the implications of any proposed capital programs or operating initiatives, and for the collection of accounts receivable.

All of the Authority's internal reporting metrics have been refined to support the highlighted accountability of the operating departments. The metrics are reviewed monthly, and quarterly performance meetings are held involving business units, finance staff and executive management. A business plan has been developed that incorporates all operating and capital budget information as well as performance objectives.

Cash Management and Investments

All investments must be made pursuant to the Investment Policy adopted in 2000 by the Members of the Authority. The majority of the Authority's funds, including investments, is held by the Trustees under the 1978 Trust Agreement or the PFC Trust Agreement, respectively, or custodians for such Trustees, and is invested at the direction of the Authority. An investment committee meets monthly to review projected cash flow needs and investments, and an investment oversight committee meets quarterly to review the Authority's existing portfolios for compliance with the Investment Policy and comparability with external benchmarks, and to revise the existing investment strategies for the Authority's various funds, if necessary.

Cash collections during fiscal year 2008 of approximately $563.8 million were sufficient to meet the Authority's operating expenses, make required debt service payments and make the necessary investments in its existing infrastructure assets and new capital programs for the continued benefit of its transportation constituents. As of June 30, 2008, as required by their respective Trust Agreements, the debt service reserve funds for bonds secured by the 1978 Trust Agreement and the 1999 PFC Trust Agreement held $114.7 million and $30.3 million, respectively, to support their respective annual debt service requirements on the Authority's outstanding bonds. Furthermore, the Authority generated sufficient net revenues to achieve 2.30 and 2.18 times debt coverage on bonds outstanding issued under the 1978 Trust Agreement and the 1999 PFC Trust Agreement, respectively, as of June 30, 2008. All of the Authority's general revenue bonds and PFC bonds are secured by debt service reserve funds that are fully funded with cash.

Capital Financing and Debt Management

As of June 30, 2008, outstanding debt obligations of the Authority issued pursuant to the 1978 Trust Agreement and the PFC Trust Agreement totaled approximately $1.6 billion including subordinated revenue bonds but excluding commercial paper. (Special facilities revenue bonds issued on behalf of and payable by certain borrowers are excluded because they are not obligations of the Authority.) In fiscal year 2008, the total amount deposited to pay debt service on obligations issued pursuant to the 1978 Trust Agreement (not including subordinate obligations) was an aggregate of $109.9 million of principal and interest, and the total amount deposited to pay debt service on bonds issued pursuant to the PFC Trust Agreement was an aggregate of $27.3 million of principal and interest.

On July 1, 2008, the Authority issued $38.0 million of Revenue Refunding Bonds, Series 2008-C (the "Series 2008-C Bonds") to refund portions of the Authority's Series 1997-C and Series 1998-A Bonds.

On June 19, 2008, the Authority issued $24.3 million of Multi-Modal Revenue Bonds, Series 2008-A (the "Series 2008-A Bonds") that were not subject to Alternative Minimum Tax regulations under the Internal Revenue Code ("AMT") to repay $13.0 million of commercial paper and to fund projects in the Authority's capital plan. Concurrently, the Authority issued $100.9 million of Multi-Modal Revenue Refunding Bonds, Series 2008-B (the "Series 2008-B Bonds") that were subject to AMT to refinance the Series 2003-B and Series 2005-B Bonds, which represented all of the Authority's outstanding auction rate securities. The Series 2008-A and Series 2008-B Bonds were issued at par as weekly, variable rate demand notes, and are backed by a Letter of Credit issued by Bank of America, N.A. The Series 2008-A Bonds, 2008-B Bonds and 2008-C Bonds are collectively referred to as the "2008 Bonds." The 2008 Bonds are not insured. The Official Statements relating to the 2008 Bonds are available from the Authority or by accessing the Authority's website at www.massport.com/about/about_inves_histo.html.

On May 31, 2007, the Authority issued $51.5 million of Revenue Bonds, Series 2007-A (the "Series 2007-A Bonds") to finance roadway acquisitions, portions of Runway 14/32 that were not eligible for PFC or grant funds, airport edge buffers and boundary security infrastructure and $32.1 million of Revenue Refunding Bonds, Series 2007-C (the "Series 2007-C Bonds") to refund a portion of the

Authority's Series 1997-B Bonds. Also on June 7, 2007, the Authority issued $48.5 million of PFC Revenue Bonds, Series 2007-B (the "Series 2007-B PFC Bonds") to finance airfield improvements and $65.1 million of PFC Refunding Bonds, Series 2007-D (the "Series 2007-D PFC Bonds") to refund the Authority's Series 1999-A PFC Bonds. The Series 2007-A Bonds and the Series 2007-C Bonds are collectively referred to as the "2007 Bonds" and the Series 2007-B PFC Bonds and Series 2007-D PFC Bonds are collectively referred to as the "2007 PFC Bonds." The Official Statements relating to the 2007 Bonds and the 2007 PFC Bonds are available from the Authority or by accessing the Authority's website at www.massport.com/about/about_inves_histo.html.

The rating agencies have recognized the value of the Authority's prudent financial management, revenue diversity and underlying market strengths. As of June 30, 2008, the Authority's revenue bonds had underlying ratings of AA by Fitch, Aa3 by Moody's and AA- by S&P. When the Authority issued the Series 2008-A Bonds and Series 2008-B Bonds, they were assigned long-term ratings of AAA, Aaa and AAA by Fitch, Moody's and S&P, respectively, and short-term ratings of F1+, VMIG1 and A1 by Fitch, Moody's and S&P, respectively, reflecting the Letter of Credit issued by Bank of America, N.A., for such Bonds. Upon the issuance of the 2008 Bonds, Fitch, Moody's and S&P affirmed the Authority's underlying ratings of AA, Aa3 and AA-.

The Authority's PFC Revenue Bonds are insured by Financial Security Assurance Inc. ("FSA") and as of June 30, 2008, were rated AAA, Aaa and AAA, as insured, by each of Fitch, Moody's, and S&P, respectively. When the Authority issued the 2007 PFC Bonds, such bonds were assigned underlying ratings of A+ by Fitch, A2 by Moody's and A by S&P, without regard to the bond insurance policy. The Authority's Commercial Paper Notes are rated A-1+ and P-1 by S&P and Moody's, respectively, based on the credit facility provided by The Bank of New York. In November 2008, Moody's lowered the insurer financial strength rating on FSA from Aaa to Aa3 and, accordingly, lowered the ratings on the 1999-B PFC Bonds, the 2007 Bonds and the 2007 PFC Bonds from Aaa to Aa3. Also in November 2008, S&P and Moody's lowered the insurer financial strength on Ambac Assurance Corporation from AA and Aa3 to A and Baa1, respectively and, accordingly, has lowered the ratings on the 2005-A and 2005-C Bonds from AA and Aa3 to AA- and Aa3, respectively, which ratings are based on the Authority's underlying ratings.

Pension Costs

Chapter 487 of the Massachusetts Acts of 1978 ("C. 487") provided for the establishment of the Massachusetts Port Authority Employees' Retirement System (the "Plan"), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to 1978, Authority employees were members of the state employees' system, and the funding of the pension liability was on a "pay-as-you-go" method. Pursuant to C. 487, the Authority employees' rights and benefits under the state plan were transferred to the Plan, and the Authority established a separate pension fund. The Plan is a single employer plan that provides retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries, and contingent annuitants. The Plan is a contributory defined benefit plan to which both the Authority and its employees contribute such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to Plan participants. As of January 1, 2007, the Plan was 103.0% funded using the Frozen-Entry-Age Actuarial Cost Methodology as required by the Plan. Total contributions to the Plan made by the Authority were $3.1 million and $1.0 million for the years ended December 31, 2006 and 2007, respectively. Total contributions made by employees to the Plan were $7.2 million and $7.6 million for the years ended December 31, 2006 and 2007, respectively. Please see footnote G of the Authority's financial statements for more detailed information. Subsequent to June 30, 2008, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets, which has adversely affected the value of the Plan's assets. The Authority cannot predict how long or severe the current economic recession will be or how negatively the

value of the Plan's assets will be affected. The Authority continues to evaluate its plans and investments and believes that it will be able to withstand the economic downturn.

Other Post-Employment Benefits

During fiscal year 2007, the Authority commissioned an actuarial valuation as of June 30, 2006, which estimated the Authority's liability associated with other post-employment benefits other than pensions ("OPEB") to be in the range of $167.5 million to $286.6 million. In June 2008, the Authority established an irrevocable trust (the "Retiree Benefits Trust") to partially fund the projected accrued liability for other post-employment benefits. The Authority transferred approximately $54.1 million of reserves to the Retiree Benefits Trust in fiscal year 2008. Prior to the establishment of the Retiree Benefits Trust, the Authority funded other post-employment benefits exclusively on a pay-as-you-go basis.

OTHER INFORMATION

Independent Audit

An audit of the Authority's financial statements as of and for fiscal years 2008 and 2007 has been completed by the Authority's independent auditor, PricewaterhouseCoopers LLP. Its report is included herein and includes an unqualified opinion on the Authority's financial statements.

Awards

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Authority believes that its current CAFR continues to meet the Certificate of Achievement program's requirements and it will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement for fiscal year 2008.

Requests for Information

For additional information concerning the Authority, please see the Authority's website, www.massport.com. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2006 are available from the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") and from the Authority. The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Pranckevicius, CPA, Director of Administration and Finance and Secretary-Treasurer of the Massachusetts Port Authority.

Very truly yours,

Thomas J. Kinton, Jr.
CEO and Executive Director

John P. Pranckevicius, CPA
Director of Administration and Finance and Secretary-Treasurer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Massachusetts Port Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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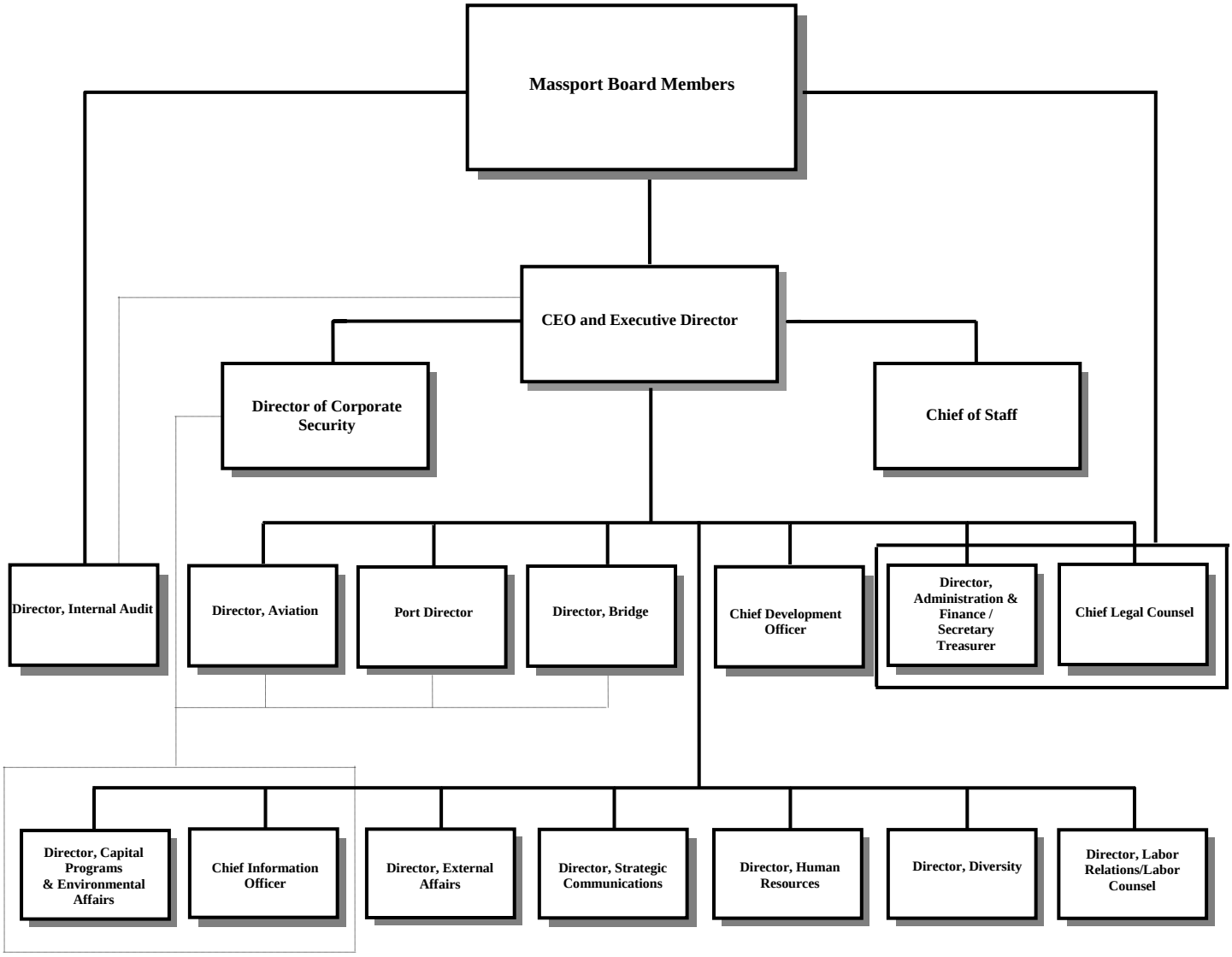
Massport Organization Chart



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Authority Board Members

The Authority consists of seven Members appointed by
the Governor of Massachusetts to staggered terms of seven years each.
Members serve without compensation.

John A. Quelch, Chairman
Paul D. Foster, Vice Chairman
Bernard Cohen, Secretary of Transportation
James A. Aloisi, Jr.
Ranch C. Kimball
Paul J. McNally
Frederic Mulligan

Executive Staff

Thomas J. Kinton, Jr., CEO and Executive Director
George K. Hertz, Chief of Staff
John P. Pranckevicius, Director of Administration and Finance/Secretary-Treasurer
Francis X. Anglin, Chief Information Officer
Sandra Casey Buford, Director of Diversity
Thomas J. Butler, Director of External Affairs
Edward C. Freni, Director of Aviation
David M. Gambone, Director of Human Resources
Michael A. Leone, Port Director
Danny T. Levy, Director of Strategic Communications
David S. Mackey, Chief Legal Counsel
Mary Jane O'Meara, Bridge Director
Lowell L. Richards, III, Chief Development Officer
Houssam H. Sleiman, Director of Capital Programs & Environmental Affairs
Kelly B. Strong, Director of Labor Relations/Labor Counsel
Gail S. Titus, Director of Internal Audit
Dennis P. Treece, Director of Corporate Security

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WIND TURBINES

The Massachusetts Port Authority installed 20 building-integrated wind turbines at Boston Logan International Airport. Massport has partnered with AeroVironment of Monrovia, Calif. and Groom Energy Solutions of Salem, Mass. to install the six foot diameter wind turbines on the roof of the Logan Office Center. The pilot project is expected to provide electrical output of approximately 100,000 kwh annually, or about two percent of the building's annual energy use.

Massachusetts Port Authority

Financial Statements with
Management's Discussion and Analysis
June 30, 2008 and 2007

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston MA 02110
Telephone (617) 530 5000
Facsimile (617) 530 5001

Report of Independent Auditors

To the Members of the Massachusetts Port Authority:

In our opinion, the accompanying balance sheets, the related statements of revenues, expenses and changes in net assets, and statements of cash flows present fairly, in all material respects, the respective financial position of the Massachusetts Port Authority (the "Authority") (a public instrumentality of The Commonwealth of Massachusetts), at June 30, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note H to the consolidated financial statements, the Authority changed the manner in which it accounts for other postemployment benefit in accordance with Governmental Accounting Standards Board Statements 43 *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"* and 45 *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."*

Management's Discussion and Analysis on pages 21 through 32 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The information on pages 69 through 71 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

PricewaterhouseCoopers LLP

September 26, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Introduction

The following discussion and analysis of the financial performance and activity of the Massachusetts Port Authority (the "Authority") is intended to provide an introduction and an overview of the financial statements of the Authority as of and for the years ended June 30, 2008 ("fiscal year 2008"), 2007 ("fiscal year 2007") and 2006 ("fiscal year 2006"), respectively. This discussion should be read in conjunction with the audited financial statements attached hereto. Management has established and maintains certain internal controls and procedures designed to ensure that the annual financial statements are free from material misstatement and that all required disclosures are made in its annual financial statements. Management has reviewed the Authority's current internal controls and procedures within the past ninety days and believes that such controls and procedures are adequate in order to record, process, summarize and report to management material information required to be disclosed by the Authority in its annual financial statements.

The Authority owns Logan Airport, Hanscom Field, the Tobin Bridge (the "Bridge"), Conley Terminal and various other maritime properties (the "Port"). The Authority has no taxing power and is not taxpayer funded. It uses revenues from landing fees, parking fees, fees from terminal and other rentals, revenues from concessions, Bridge tolls, ground rents, and other fees and charges to fund operating expenses. The Authority's revenues also fund its capital expenditures; however, other sources of capital including, revenue bonds issued by the Authority, federal grants, and passenger facility charges ("PFCs") are also used to fund the Authority's capital program. The Authority's bonds are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement and the PFC Revenue Bond Trust Agreement, respectively. The Authority's bonds do not constitute a debt, or a pledge of the full faith and credit of the Commonwealth of Massachusetts or of any political subdivision thereof.

The Financial Statements

The Authority's financial statements include three financial statements: the Balance Sheets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

The Balance Sheets depict the Authority's financial position as of a point in time, specifically June 30, and include all assets and liabilities of the Authority. The net assets represent the residual interest in the Authority's assets after liabilities are deducted, and are displayed in three components: investment in capital assets, net of related debt, restricted and unrestricted. The component of net assets comprising of investments in capital assets, net of related debt, includes restricted capital assets, is net of accumulated depreciation and is reduced by the outstanding balances of any outstanding debt and debt service reserves that are attributable to the acquisition, construction or improvement of those assets. Please see footnote A in the financial statements attached hereto for a discussion on the Authority's net assets.

The Statements of Revenues, Expenses and Changes in Net Assets report total operating revenues, operating expenses, nonoperating revenue and expenses, and other changes in net assets for the period ending of the fiscal year. Revenues and expenses are categorized as either operating or nonoperating based upon management's policies as established in accordance with definitions set forth by the GASB. Certain sources of the Authority's revenues, including PFCs, investment income and capital grants are

reported as nonoperating revenues and their uses are restricted and generally are not available for operating purposes.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities, and investing activities.

Financial Highlights

- The Authority's net assets increased by approximately $87.7 million or 5.7% to $1.5 billion during the fiscal year 2008, primarily due to the receipt of approximately $41.8 million of capital grant revenue.
- During fiscal year 2008, the Authority spent $155.2 million in cash on its capital program, inclusive of investments in construction work-in process.
- The Authority refunded all of its outstanding debt obligations in the form of auction rate securities during fiscal year 2008, and overall bonds payable decreased $32.7 million or 2.0% during fiscal year 2008.
- The Authority adopted GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions ("GASB 45")*, which resulted in the recognition of approximately $15.9 million of post-employment expenses during fiscal year 2008.

The Authority's Condensed Statements of Revenue, Expenses and Changes in Net Assets

	(in millions)			% Change	% Change
	2008	2007	2006	From 2007	From 2006
Operating revenues:					
Fees, tolls and other services	$ 312.3	$ 290.7	$ 268.7	7.4%	16.2%
Rentals	166.4	158.8	155.0	4.8%	7.4%
Concessions	65.4	55.8	53.7	17.2%	21.8%
Other, including operating grants	21.4	21.5	20.2	-0.5%	5.9%
Total operating revenues	565.5	526.8	497.6	7.3%	13.6%
Operating expenses:					
Operations & maintenance	(276.5)	(255.0)	(238.8)	8.4%	15.8%
General & administrative	(46.0)	(41.9)	(46.0)	9.8%	0.0%
Insurance	(8.5)	(10.7)	(6.6)	-20.6%	28.8%
Other post-employment benefits	(15.9)	(5.10)	(4.5)	211.8%	253.3%
Payments in lieu of taxes	(17.1)	(16.7)	(15.8)	2.4%	8.2%
Depreciation and amortization	(162.4)	(157.6)	(142.1)	3.0%	14.3%
Total operating expenses	(526.4)	(487.0)	(453.8)	8.1%	16.0%
Operating income	39.1	39.8	43.8	-1.8%	-10.7%
Nonoperating revenues (expenses):					
Passenger facility charges	53.7	57.5	48.3	-6.6%	11.2%
Investment income	29.9	26.8	20.6	11.6%	45.1%
Other income/(expense), net	4.1	1.8	(4.7)	127.8%	-187.2%
Interest expense	(80.9)	(76.9)	(69.6)	5.2%	16.2%
Total nonoperating revenues (expenses)	6.8	9.2	(5.4)	-26.1%	-225.9%
Income before capital grant revenue	45.9	49.0	38.4	-6.3%	19.5%
Capital grant revenue	41.8	10.7	36.2	290.7%	15.5%
Increase in net assets	$ 87.7	$ 59.7	$ 74.6	46.9%	17.6%

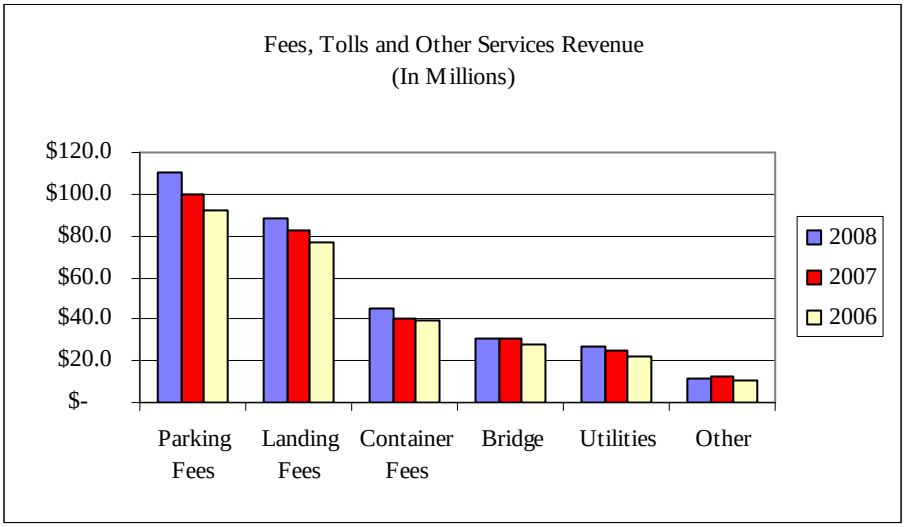
The change in net assets of $87.7 million in fiscal year 2008 is approximately $28.0 million or 46.9% greater than the change in net assets for fiscal year 2007. Specifically, capital grant revenue increased approximately $31.1 million during fiscal year 2008 compared to fiscal year 2007. The increase was essentially the result of the timing of the Authority's receipt of capital grants during fiscal year 2008 instead of fiscal year 2007. This capital grant revenue reimburses the Authority for certain capital costs incurred on runway and airfield capital projects during fiscal years 2008 and 2007. The receipt of these capital grants contributed approximately 47.7% of the Authority's increase in net assets during fiscal year 2008. Income before capital grant revenue decreased approximately $3.1 million or 6.3% during the fiscal year 2008 compared to fiscal year 2007. This decrease was essentially the result of the Authority's adoption of GASB 45. The adoption of GASB 45 resulted in the recognition of $15.9 million of post-employment benefit expenses during fiscal year 2008 compared to $5.1 million in fiscal year 2007, an increase of $10.8 million or 211.8%. See footnote H of the Financial Statements. During fiscal year 2008, PFC revenue and investment income offset higher depreciation expenses and interest costs incurred by the Authority.

Operating Revenues

Fiscal year 2008 operating revenues for the Authority were $565.5 million, an increase of $38.7 million or 7.3% over fiscal year 2007. Operating revenues of the Authority consists primarily of fees, tolls, rentals, concessions and operating grants. Fees, tolls and other services ("fee revenue") are comprised essentially of parking fees, landing fees, Bridge tolls and container handling fees. Rental revenues are earned through lease agreements for building rents across the Authority's asset base, including Logan Airport, Hanscom Field and Port Properties. Concessions revenue consists primarily of fees earned from ground services for airport passengers, including car rentals, taxis, bus and limousine services. Following is a discussion on the Authority's major revenue classifications as depicted on the Authority's Condensed Statement of Revenue, Expenses and Changes in Net Assets.

Fees, Tolls and Other Services

Fees, tolls and other services revenue were approximately $312.3 million during fiscal year 2008 compared to $290.7 million in fiscal year 2007 representing an increase of $21.6 million or 7.4%. During fiscal year 2008, the Authority experienced growth in each revenue category, except for bridge tolls due to primarily a reduction in vehicle volumes. The following table is a presentation of the revenue components included in fee revenue by the Authority's primary business operations.

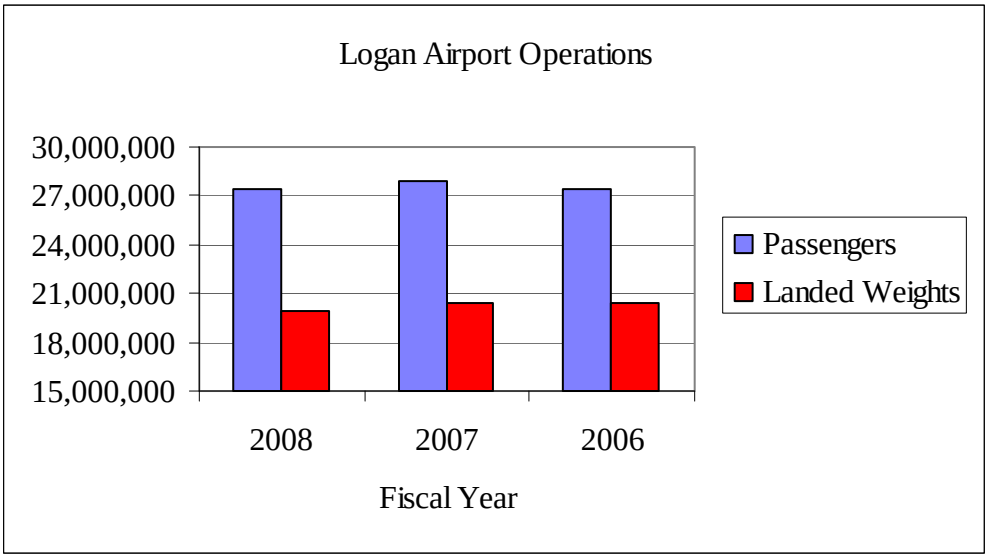


Aviation Activity. Parking fees and landing fees comprise the majority of aviation fee revenue. During fiscal year 2008, the Authority earned approximately $227.7 million in aviation fee revenue. This represents an increase of approximately 8.2% over aviation fee revenue earned in fiscal year 2007 of $210.4 million.

Landing fees were approximately $88.0 million in fiscal year 2008 compared to $83.3 million in fiscal year 2007. This increase of approximately $4.7 million or 5.7% was essentially the result of a landing fee of $4.41 per thousand pounds charged in fiscal year 2008 compared to a landing fee of $4.20 per thousand pounds charged in fiscal year 2007. The landing fee increased by 5% due to the additional costs associated with rising energy costs, as well as, higher costs associated with the investment in and operating costs of new and existing facilities. During fiscal year 2008, landed weights were approximately 19.9 million pounds compared to 20.4 million pounds during fiscal year 2007 representing a decline of approximately 2.5%.

During fiscal year 2008, the Authority collected $110.8 million in parking revenue. This was an increase of approximately $11.2 million or 11.2% over fiscal year 2007. This increase was attributable to an increase in vehicle exits resulting from approximately 2,800 additional parking spaces created through the expansion of the Central Garage which was completed during fiscal year 2007 and an increase in the average revenue per ticket earned by the Authority by parking customers during fiscal year 2008. The increase in the average revenue per ticket earned by the Authority was the result of the full-year effect of the approximate 10% increase in the daily parking rate implemented at the end of fiscal year 2007. This rate increase was necessary to pay for the related debt service incurred with the expansion of the Central Garage, as well as, general improvements and maintenance of the Authority's parking facilities.

Logan Airport experienced a decline in aviation passenger traffic during fiscal year 2008 of approximately 0.5 million fewer passengers, which represents a decline of 1.8%. Aviation passenger traffic increased approximately 1.7% and 2.2% during fiscal years 2007 and 2006, respectively. Specifically, passenger traffic was 27.4 million, 27.9 million, and 27.4 million in fiscal year 2008, 2007 and 2006, respectively. The reduction in aviation passenger traffic may be attributed to a softening of the economy and higher fuel prices paid by consumers. The number of aircraft operations (take-offs and landings) by air carriers declined approximately 4.5% in order for air carriers to reduce capacity and their associated operating costs.



Port Activity. Port fee revenue increased approximately 10.7% in fiscal year 2008 from $45.0 million generated in fiscal year 2007 to $49.8 million in fiscal year 2008. Terminal handling fees represent the majority of the Port's fee revenue activity. Terminal handling represents fees charged for handling containers which are loaded to or discharged from shipping vessels. During fiscal year 2008, the Port experienced growth of approximately 6.9% in container volume compared to fiscal year 2007. The Authority processed approximately 124,000, 116,000, and 111,000 containers during fiscal years 2008, 2007 and 2006, respectively. The growth in container volume experienced over the past three years is primarily the result of an increase in container volume from Asian imports.

Bridge Activity. During fiscal year 2008, toll revenue from the Bridge decreased 2.6% to $30.3 million compared to fiscal year 2007 toll revenue of $31.1 million. The decrease is the result of declines in both passenger and commercial vehicle traffic of 2.3% and 5.0%, respectively, in fiscal year 2008 compared to fiscal year 2007. Traffic volumes in 2007 were unusually high due to the traffic pattern shifts following the partial closure of the Ted Williams Tunnel. Total Bridge vehicle traffic was 10.8 million, 11.0 million, and 10.0 million during fiscal years 2008, 2007 and 2006, respectively. The Bridge toll has not increased since April 2004, and the average toll collected per paying vehicle was approximately $2.84 and $2.86 for fiscal year 2008 and 2007, respectively.

Rentals

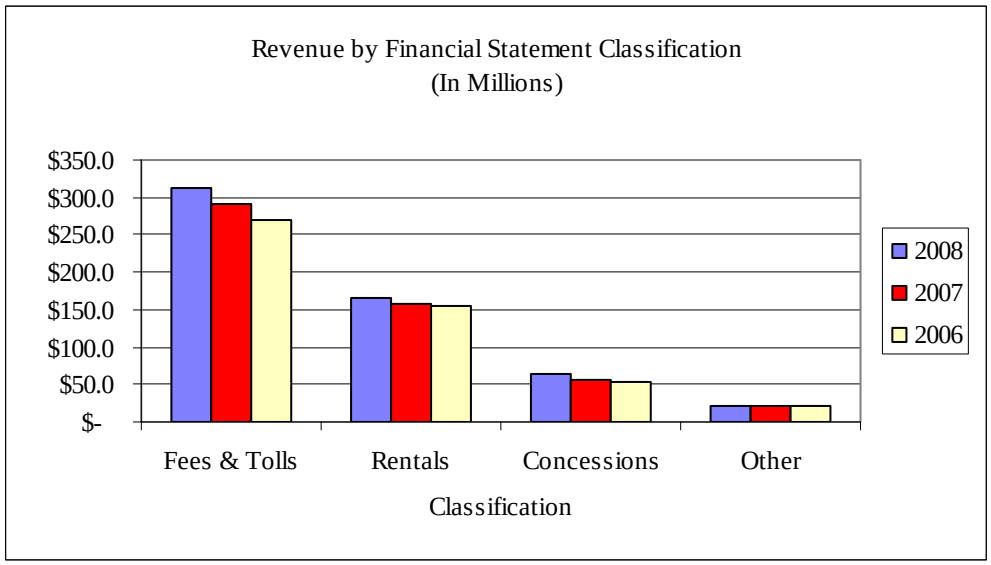
Logan Airport accounts for approximately $142.3 million or 85.5% of the $166.4 million in total rental revenue recorded in the Authority's financial statements. Logan Airport rental revenue is earned from airlines for terminal building, cargo and hangar space that these air carriers occupy on airport property.

Rental revenues from Logan Airport increased 3.3% in fiscal year 2008 compared to fiscal year 2007. The increase in Logan Airport rental revenue is essentially the result of standard lease escalation clauses within the Authority's existing lease agreements, and higher concessions revenue for our tenants which results in higher contingent rent payments to the Authority. In addition, the Authority collects rental revenue on Port properties and land that it owns. During fiscal year 2008, the Authority earned approximately $15.6 million in rental revenue on Port properties which represented an increase of approximately $1.6 million or 11.4% compared to fiscal year 2007. The increase in these rental revenues was the result of new executed lease agreements for development and improvements to the East Boston shipyard and marina, and amendments related to the World Trade Center properties. Lastly, Conley Terminal and Hanscom generated $4.0 million and $4.4 million of rental revenue, which represents approximately 2.4% and 2.6% respectively, of total rental revenue earned in fiscal year 2008. Rental revenue from the Conley Terminal and Hanscom Field increased approximately $0.8 million or 11.3% due to the full year effect of increased occupancy rates which took effect during fiscal year 2007.

Concessions

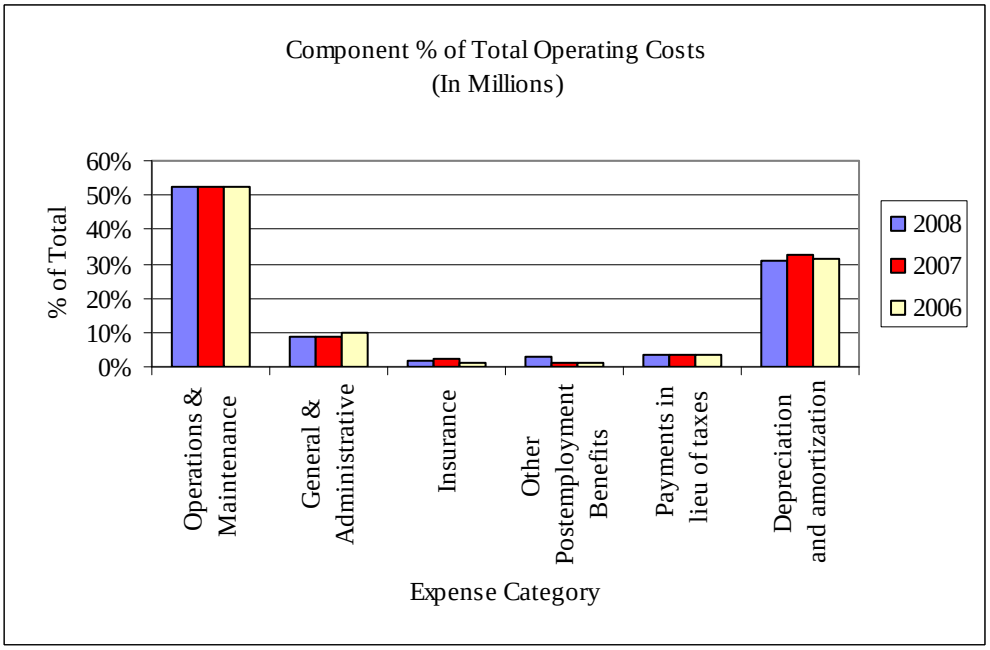
During fiscal year 2008, the Authority earned approximately $65.4 million in concessions revenue compared to $55.8 million in fiscal year 2007, representing an increase of 17.2%. Concessions revenue consists primarily of fees earned from ground services for airport passengers, including car rentals, taxis, bus and limousine services. During fiscal year 2008, the Authority earned approximately $36.2 million in ground service fees compared to $30.4 million in fiscal year 2007. This represents an increase of $5.8 million or approximately 19.1%, which was driven primarily through an increase in daily rental rates implemented by the rental car companies. Rental car demand has remained strong in the Boston market during fiscal year 2008. The Authority also earns revenues from concession agreements based on a percent of total retail sales. During fiscal year 2008, revenue from retail tenants increased 12.6% to $15.2 million in fiscal year 2008 from $13.5 million for fiscal year 2007. This increase was attributable to the execution of lease agreements with new tenants as well as the resetting of the minimum annual rent guarantees in January 2008 for existing tenants.

The following depicts the Authority's significant revenue components by financial statement classification:



Operating Expenses

Fiscal year 2008 operating expenses for the Authority were $526.4 million, an increase of $39.4 million or 8.1% over fiscal year 2007. Approximately $10.8 million or 27.4% of the increase in fiscal year 2008 is due to the recognition of post-employment benefit expenses required by the adoption of GASB 45 discussed previously. In addition, approximately $4.8 million or 12.2% of the increase in fiscal year 2008 is due to non-cash depreciation expense associated with the Authority's continued investment in its infrastructure. The remaining increase in fiscal year 2008 can be attributed to increased energy related costs, higher employer health care costs, a general wage increase, external service costs associated with maintaining a larger asset base, including weather related events, and elevated security requirements.



Operations and Maintenance
Operations and maintenance costs represent approximately 52.5% of the Authority's total operating expenses. These expenses relate to the operations and maintenance of each of the Authority's facilities including Logan Airport and Hanscom Field, the Port and the Bridge. During fiscal year 2008, the Authority incurred approximately $276.5 million in operations and maintenance costs, which represents an increase of $21.5 million or approximately 8.4% over amounts incurred in fiscal year 2007. The increase is essentially the result of a general wage increase and employer paid health care premiums, external service costs associated with maintaining a larger asset base, elevated security requirements, and larger snow and ice removal expenses.

General and Administrative
General and administrative expenses have remained constant as a percent of total expenses. During fiscal year 2008, the Authority incurred approximately $46.0 million in general and administrative expenses, an increase of $4.1 million, or 9.8% compared to fiscal year 2007. General and administrative expenses for fiscal year 2007 include a bad debt recovery of $2.3 million related to the Delta bankruptcy which accounts for the majority of the increase in absolute dollars during fiscal year 2008. Excluding the impact of this bad debt recovery, general and administrative expenses increased $1.8 million or 4.1%, which was the result of a general wage increase, higher employer paid health care premiums, and service contracts.

Insurance
Insurance expense was approximately $8.5 million for fiscal year 2008 compared to $10.7 million for fiscal year 2007. The decrease of $2.2 million or 20.6% was essentially the result of fewer claims in fiscal year 2008 compared to fiscal year 2007, as well as, an updated independent actuarial valuation of the Authority's potential claim exposure related to loss reserves for workers compensation and general liability. Please see footnote N in the financial statements attached hereto. Premiums on commercial liability policies also decreased in fiscal year 2008.

Other Post-employment Benefits
Other post-employment benefit ("OPEB") expense increased approximately $10.8 million or 211.8% during fiscal year 2008 compared to fiscal year 2007. The increase is the result of the adoption of GASB 45, which requires the recognition of post-employment benefit expenses based on an actuarial valuation which calculates the expected future cash flows for these benefits of the Authority based on actuarial assumptions. The actuarial calculation indicated expected future cash flows for these benefits of approximately $167.0 million. This amount is amortized into the Authority's Statement of Revenue, Expenses and Changes in Net Assets based on a 30-year amortization period as promulgated by GASB 45. In May 2008, the Authority created an irrevocable trust to take the necessary steps to begin funding the Authority's estimated $167.0 million OPEB liability and to comply with GASB 45. During June 2008, the Authority funded approximately $54.1 million or 32.4% of this OPEB liability. Please see footnote H of the financial statements attached hereto.

Payment in Lieu of Taxes
During fiscal year 2008, the Authority incurred approximately $17.1 million in statutorily required Payment-in-Lieu-of-Tax ("PILOT") agreements with the Cities of Boston and Chelsea and the Town of Winthrop. These agreements provide long term financial assistance to the communities, while improving the Authority's relationships with its neighbors. PILOT fees increased approximately 2.4% in fiscal year 2008 compared to fiscal year 2007. The fiscal year 2008 increase was the result of the re-negotiated agreements which took effect in fiscal year 2006. Please see footnote J in the financial statements attached hereto.

Depreciation and Amortization
Depreciation and amortization expense increased approximately $4.8 million or 3.0% in fiscal year 2008 compared to fiscal year 2007 due to approximately $138.3 million of capital expenditures completed and placed into service during fiscal year 2008. Please see footnote D in the financial statements attached hereto.

Nonoperating Revenue and Expense

Nonoperating revenue, net, decreased $2.4 million or 26.1% during fiscal year 2008 compared to fiscal year 2007 as a result of the following:

Passenger Facility Charge Revenues
Passenger facility charge revenues were approximately $53.7 million for fiscal year 2008 compared to $57.5 million for fiscal year 2007, representing a decrease of approximately $3.8 million or 6.6%. The decrease was partly the result of a decline in passenger volumes of approximately 1.8%. Passenger facility charge revenues are recognized at the time the airline ticket is purchased, which does not have a fixed relationship with the actual travel date. As a result, the Authority can experience increases or decreases in passenger facility charge revenues based on the timing lag between ticket purchase date and the actual travel date. Please see footnote E in the financial statements attached hereto.

Investment Income
The Authority earned approximately $29.9 million in investment income during fiscal year 2008. This represented an increase of approximately $3.1 million or 11.6% over fiscal year 2007. Increasing assets under management contributed to the increases in investment income during fiscal year 2008.

Interest Expense
During fiscal year 2008, the Authority incurred approximately $80.9 million in interest expense compared to $76.9 million in fiscal year 2007. The increase of approximately $4.0 million or 5.2% was the result of the full-year effect of interest costs associated with bonds issued in May of 2007. The Authority's average interest rate was approximately 4.6% in fiscal year 2008 and 2007, respectively. During fiscal year 2008, all of the Authority's outstanding auction rate debt holdings were refinanced into variable rate demand obligations.

Capital Grant Revenue

Capital grant revenue increased $31.1 million or 290.7% during fiscal year 2008 compared to fiscal year 2007. The increase in capital grant revenue was the result of the Authority receiving approximately $25.2 million from the Federal Aviation Administration ("FAA") for capital investments made by the Authority on Runway 14/32 which was substantially completed in fiscal year 2007. In addition, the Authority recognized as revenue approximately $3.4 million from the FAA in the form of capital grants for work performed by the Authority on the Centerfield Taxiway during fiscal year 2008. No capital grant revenue was received for the Centerfield Taxiway during fiscal year 2007.

The Authority's Balance Sheets

The balance sheets present the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net assets are the difference between total assets and total liabilities and are an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net assets at June 30, 2008, 2007 and 2006 is as follows:

	(in millions)			% Change	% Change
	2008	2007	2006	From 2007	From 2006
Assets					
Current assets	$ 378.1	$ 383.5	$ 527.6	-1.4%	-28.3%
Capital assets, net	2,523.7	2,541.9	2,464.1	-0.7%	2.4%
Other non-current assets	488.1	396.9	231.6	23.0%	110.8%
Total Assets	$ 3,389.9	$ 3,322.3	$ 3,223.3	2.0%	5.2%
Liabilities					
Current liabilities	$ 212.9	$ 205.6	$ 215.6	3.6%	-1.3%
Bonds payable, including current portion	1,586.4	1,619.1	1,571.6	-2.0%	0.9%
Other non-current liabilities	51.7	46.4	44.6	11.4%	15.9%
Total Liabilities	$ 1,851.0	$ 1,871.1	$ 1,831.8	-1.1%	1.0%
Net Assets					
Invested in capital assets, net of debt	$ 867.5	$ 901.5	$ 814.2	-3.8%	6.5%
Restricted:					
Debt service	180.8	168.4	163.2	7.4%	10.8%
Capital projects	168.1	95.5	183.7	76.0%	-8.5%
Passenger facility charges	58.8	52.9	48.3	11.2%	21.7%
Other post-employment benefits	43.8	-	-	100.0%	0.0%
Other purposes	87.7	88.3	100.7	-0.7%	-12.9%
Unrestricted	132.2	144.6	81.4	-8.6%	62.4%
Total Net Assets	1,538.9	1,451.2	1,391.5	6.0%	10.6%
Total Liabilities and Net Assets	$ 3,389.9	$ 3,322.3	$ 3,223.3	2.0%	5.2%

The Authority ended fiscal year 2008 with assets of $3.4 billion, liabilities of $1.9 billion and net assets of $1.5 billion. The Authority's assets consist primarily of capital assets, which represent approximately 74.5% of the Authority's total assets as of June 30, 2008. The Authority's liabilities consist primarily of bonds payable including current portion, which account for 85.7% of total liabilities.

Cash and Investments

Cash and investments totaled $750.2 million on June 30, 2008, an increase of $80.2 million from the $670.0 million as of June 30, 2007. The increase of cash and investments during fiscal year 2008 was primarily the result of approximately $41.8 million in capital grant revenue and the issuance of $24.3 million in new money bonds during fiscal year 2008. These new money bonds were issued in order to repay approximately $13.0 million in Commercial Paper borrowings and to make a $10.4 million payment to the Commonwealth of Massachusetts to acquire a portion of airport roadway segments related to the Central Artery/Tunnel project. Please see footnote C in the financial statements attached hereto.

The following summary shows the major sources and uses of cash during the following fiscal years:

	(in millions)		
	2008	**2007**	**2006**
Net cash provided by operating activities	$ 215.1	$ 208.3	$ 181.1
Net cash used for capital and related financing activities	(161.2)	(198.3)	(310.8)
Net cash (used for)/provided by investing activities	(69.1)	106.5	59.0
Net (decrease)/increase in cash and cash equivalents	(15.2)	116.5	(70.7)
Cash and cash equivalents, beginning of year	227.7	111.2	181.9
Cash and cash equivalents, end of year	$ 212.5	$ 227.7	$ 111.2

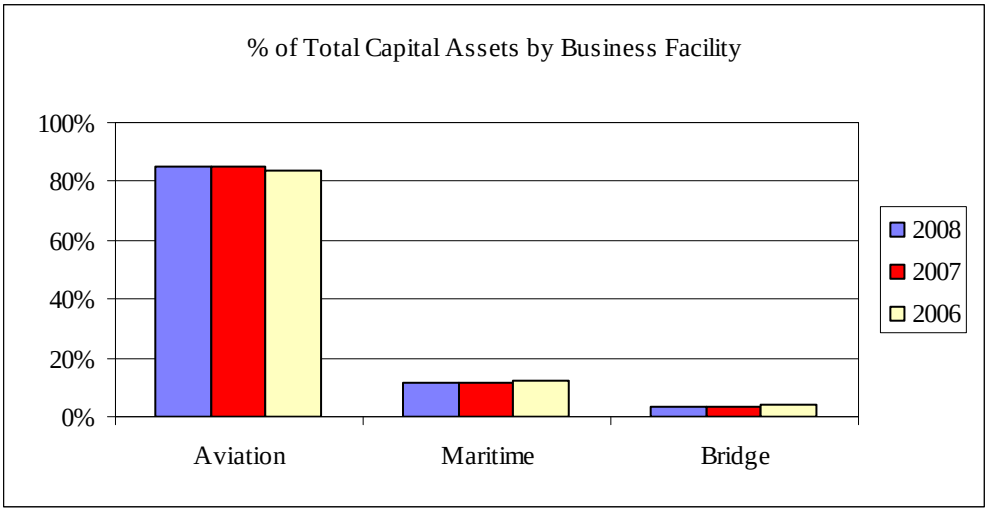
Capital Assets

As stated previously, capital assets comprise approximately 74.5% of the Authority's assets. As of June 30, 2008, the Authority had investments in facilities of approximately $2.5 billion, which includes both completed facilities (assets in service) and construction work-in progress. During fiscal year 2008, the Authority spent approximately $155.2 million in cash for new assets and improvements on existing assets, inclusive of construction work-in process. The Authority continues to invest in its transportation infrastructure for the benefit of its constituents. During fiscal year 2007, the Authority spent $250.2 million in cash for capital expenditures, inclusive of construction work-in process. Please see footnote D in the financial statements attached hereto.

The Authority's capital assets are principally funded by the proceeds of revenue bonds, Authority revenues, PFCs and capital contributions from federal grants.

Major projects representing amounts expended during fiscal year 2008 include the continued investment in the Southwest Taxiway, Centerfield Taxiway, the acquisition of the airport roadways, Bridge painting, apron lighting, and modifications to the baggage rooms.

Following is a breakdown of capital assets by business facility:



Bonds Payable

The Authority has bonds payable outstanding of approximately $1.6 billion as of June 30, 2008. Bonds payable decreased approximately $32.7 million during fiscal year 2008. This decrease was the result of principal debt payments of $56.7 million made in fiscal year 2008, offset by borrowings of $24.3 million in new money bonds, and amortization of bond premiums and discounts of $0.3 million during fiscal year 2008.

Recent Bond Issuances:
On July 1, 2008, the Authority issued $38.0 million in Series 2008 C Bonds in order to refund portions of the 1997-C and the 1998-A Bonds. The average annual reduction in debt service for fiscal year 2009 through fiscal year 2020 is approximately $0.2 million per year. The refunding had an economic gain and will achieve an estimated net present value savings of approximately $1.7 million or 4.5%. The Authority's bonds are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement. Please see footnote O in the financial statements attached hereto.

On June 19, 2008, the Authority issued Series 2008-A Revenue Bonds of approximately $24.3 million and Series 2008-B Revenue Refunding Bonds of approximately $100.9 million. The revenue bonds proceeds were used to purchase airport roadways associated with the Central Artery/Tunnel project and to repay approximately $13.0 million in Commercial Paper borrowings. The Refunding Bonds were used to refund amounts outstanding from the Series 2003-B Revenue and Refunding Bonds, and Series 2005-B Revenue Bonds which comprised all of the Authority's outstanding auction rate securities. The Series 2008 A/B bonds were issued as variable rate debt with interest that resets weekly and are backed by a Letter of Credit from the Bank of America.

On May 31, 2007, the Authority issued $51.5 million in Revenue Bonds, Series 2007-A in order to finance roadway acquisitions and portions of Runway 14/32, and $32.1 million in Refunding Bonds, Series 2007-C in order to accomplish a current refunding of a portion of the 1997-B Bonds. Also, on May 31, 2007, the Authority issued $48.5 million in PFC Revenue Bonds, Series 2007-B to fund a series of airfield improvements; and $65.1 million in PFC Refunding Bonds, Series 2007-D in order to refund the 1999-A Bonds.

The Official Statements relating to the Authority's 2007 and 2008 Bonds are available from the Authority or by accessing the Authority's website.

Please see footnote F in the financial statements attached hereto.

Credit Ratings:
The Authority's revenue bonds have an underlying rate of AA by Fitch, Aa3 by Moody's and AA- by S&P. In November 2006, Fitch upgraded the Authority's revenue bonds from AA- to AA, and Fitch upgraded the underlying rating of the Authority's PFC bonds from A to A+. When the Authority issued the 2008 Bonds in June 2008, they were assigned a long-term rating of AAA, and a short-term rating of F1+, VMIG1 and A1 reflecting the Letter of Credit from the Bank of America; also, the Authority's underlying ratings of AA, Aa3 and AA- were affirmed by Fitch, Moody's and S&P, respectively. The Authority's PFC Revenue Bonds are insured by Financial Security Assurance Inc. and are rated AAA, Aaa and AAA, as insured, by each of Fitch, Moody's, and S&P, respectively. When the Authority issued the 2007 PFC Bonds in May 2007, those bonds were assigned underlying ratings of A+ by Fitch, A2 by Moody's and A by S&P, without regard to the Bond Insurance Policy. The Authority's Commercial Paper Notes are rated A-1+ and P-1 by S&P and Moody's, respectively, based on credit enhancement provided by the Bank of New York.

The Authority, through its 1978 Trust Agreement, has covenanted to maintain a debt service coverage ratio of not less than 1.25. Debt service coverage is calculated based on a formula set forth in the 1978 Trust Agreement. Historically, the Authority has maintained a coverage ratio higher than its requirement. As of June 30, 2008, 2007, and 2006, the Authority's debt service coverage under the 1978 Trust Agreement was 2.30, 2.41, and 2.33, respectively. A similar debt service coverage ratio is required through the Authority's PFC Revenue Bond Trust Agreement. As of June 30, 2008, 2007, and 2006, the Authority's PFC debt service coverage under the PFC Trust Agreement was 2.18, 3.16, and 2.45, respectively.

Net Assets

Net assets, which represent the residual interest in the Authority's assets after liabilities are deducted, were $1.5 billion as of June 30, 2008, an increase of $87.7 million from fiscal year 2007. Those net assets invested in capital assets, net of related debt were $867.5 million, a decrease of $34.0 million compared to fiscal year 2007. The Authority's restricted net assets of $539.2 million as of June 30, 2008, are subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement, the Retiree Benefits Trust ("RBT") or custodians in the Authority's name. The RBT was established in fiscal year 2008 to fund the Authority's liabilities associated with OPEB. As of June 30, 2008, the Authority has deposited approximately $54.1 million into the RBT, which represents approximately 32.4% of the actuarial estimated liability for post-employment benefits as calculated as of July 1, 2006. The remaining unrestricted assets of $132.2 million may be used for any lawful purpose of the Authority, and have been fully committed to support the Authority's five-year capital program. Please see footnote A of the financial statements attached hereto.

Contacting the Authority's Financial Management

For additional information concerning the Authority, please see the Authority's website, www.massport.com. Financial information can be found in the Investor Relations section of the website by clicking on "About Massport", and then clicking on "Who We Are". The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Pranckevicius, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

Massachusetts Port Authority
Balance Sheets
June 30, 2008 and 2007
(In Thousands)

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	$ 48,650	$ 71,540
Investments	9,554	33,161
Restricted cash and cash equivalents	163,871	156,161
Restricted investments	100,257	75,850
Accounts receivable – net of allowance for doubtful accounts of $11,117 and $11,616 as of June 30, 2008 and 2007, respectively	32,183	36,806
Accounts receivable-grants	17,303	1,870
Prepaid expenses and other assets	6,287	8,142
Total current assets	378,105	383,530
NONCURRENT ASSETS		
Investments	112,980	75,366
Restricted investments	314,846	257,916
Prepaid expenses and other assets	21,848	23,521
Investment in joint venture	2,956	3,075
Intangible assets, net	35,467	37,009
Capital assets	4,035,760	3,881,095
Less accumulated depreciation	(1,512,062)	(1,339,182)
Capital assets, net	2,523,698	2,541,913
Total noncurrent assets	3,011,795	2,938,800
TOTAL ASSETS	$ 3,389,900	$ 3,322,330

(Continued on next page)

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Balance Sheets, Continued
June 30, 2008 and 2007
(In Thousands)

LIABILITIES AND NET ASSETS	2008	2007
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 63,204	$ 70,846
Compensated absences	1,145	1,124
Retainage	3,537	3,515
Current maturities of bonds payable	68,095	57,673
Commercial notes payable	102,000	89,000
Accrued interest payable	37,013	33,277
Deferred income	5,959	7,826
Total current liabilities	280,953	263,261
NON-CURRENT LIABILITIES		
Accrued expenses	8,267	8,856
Compensated absences	21,748	21,365
Other post-employment benefits	10,168	-
Retainage	143	4,512
Long term bonds payable	1,518,313	1,561,402
Deferred income	11,406	11,706
Total noncurrent liabilities	1,570,045	1,607,841
TOTAL LIABILITIES	1,850,998	1,871,102
NET ASSETS		
Invested in capital assets, net of related debt	867,535	901,516
Restricted		
Bond funds	180,768	168,445
Project funds	168,120	95,495
Passenger facility charges	58,756	52,866
Other post-employment benefits	43,809	-
Other purposes	87,659	88,351
Total restricted	539,112	405,157
Unrestricted	132,255	144,555
TOTAL NET ASSETS	1,538,902	1,451,228
TOTAL LIABILITIES AND NET ASSETS	$ 3,389,900	$ 3,322,330

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Operating revenues:		
Fees, tolls and other services	$ 312,248	$ 290,679
Rentals	166,424	158,848
Concessions	65,414	55,826
Other	18,509	18,500
Operating grants	2,896	2,976
Total operating revenues	565,491	526,829
Operating expenses:		
Operations and maintenance	275,824	252,905
Administration	45,495	43,094
Insurance	8,548	10,689
Pension	1,006	3,140
Other post-employment benefits	15,850	5,139
Payments in lieu of taxes	17,108	16,732
Provision/(Recovery) for uncollectible accounts	158	(2,256)
Depreciation and amortization	162,388	157,550
Total operating expenses	526,377	486,993
Operating income	39,114	39,836
Nonoperating revenues (expenses):		
Passenger facility charges	53,740	57,504
Investment income	29,920	26,845
Net change in the fair value of investments	2,739	1,812
Other revenues	2,099	-
Settlement of claims	84	200
Other expenses	(1,027)	(382)
Gain on sale of equipment	49	45
Interest expense	(80,862)	(76,860)
Total nonoperating revenues (expenses)	6,742	9,164
Income before capital grant revenue	45,856	49,000
Capital grant revenue	41,818	10,708
Increase in net assets	87,674	59,708
Net assets, beginning of year	1,451,228	1,391,520
Net assets, end of year	$ 1,538,902	$ 1,451,228

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Cash flows from operating activities:		
Cash received from customers and operating grants	$ 563,799	$ 536,392
Cash payments:		
To vendors for goods and services	(204,071)	(194,100)
To employees for services	(121,869)	(112,161)
Payments in lieu of taxes	(17,108)	(16,732)
Other post-employment benefits	(5,682)	(5,139)
Net cash provided by operating activities	215,069	208,260
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(155,150)	(250,170)
Proceeds from issuance of bonds, net	131,944	201,735
Principal and interest paid on refunded bonds	(99,155)	(105,007)
Principal paid on bonds	(56,700)	(52,620)
Interest paid	(79,427)	(81,360)
Proceeds from commercial notes payable	13,000	-
Proceeds from passenger facility charges	57,060	56,710
Capital grants	27,054	32,135
Settlement of claims	84	200
Proceeds from sale of equipment	85	51
Net cash used for capital and related financing activities	(161,205)	(198,326)
Cash flows from investing activities:		
Purchases of investments	(779,415)	(649,457)
Proceeds from sales and maturities of investments	684,071	727,800
Interest earned on investments	26,300	28,217
Net cash (used for)/provided by investing activities	(69,044)	106,560
Net (decrease)/increase in cash and cash equivalents	(15,180)	116,494
Cash and cash equivalents, beginning of year	227,701	111,207
Cash and cash equivalents, end of year	$ 212,521	$ 227,701

(Continued on next page)

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Cash Flows, Continued
For the Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 39,114	$ 39,836
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	162,388	157,550
Provision for uncollectible accounts	158	(2,256)
Changes in assets and liabilities:		
Accounts receivable	1,144	(913)
Prepayments and other assets	1,795	365
Accounts payable and accrued expenses	2,065	11,944
Accounts payable OPEB	10,168	-
Accrued compensated absences	404	(395)
Deferred income	(2,167)	2,129
Total adjustments	175,955	168,424
Net cash provided by operating activities	$ 215,069	$ 208,260

The accompanying notes are an integral part of these financial statements.

A. Summary of Significant Accounting Policies

Reporting Entity

The Massachusetts Port Authority (the "Authority") is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth") created and existing pursuant to Chapter 465 of the Acts of 1956, as amended, (the "Enabling Act"). The Authority controls, operates and manages Boston-Logan International Airport ("Logan Airport"), Laurence G. Hanscom Field, Maurice J. Tobin Memorial Bridge ("Bridge"), the Port of Boston and other facilities in the Port of Boston.

The Authority has no stockholders or equity holders, and the Authority's financial statements are not a component of The Commonwealth's financial statements. The provisions of the Enabling Act and the Trust Agreement, dated as of August 1, 1978 as amended (the "1978 Trust Agreement"), between the Authority and U.S. Bank National Association (as successor to State Street Bank and Trust Company), as trustee (the "Trustee"), and the PFC Revenue Bond Trust Agreement dated May 6, 1999, as amended (the "PFC Trust Agreement"), between the Authority and The Bank of New York, as trustee (the "PFC Trustee"), govern all funds, with limited exceptions, received by the Authority pursuant to the Enabling Act.

Basis of Accounting

The Authority's activities are accounted in a manner similar to that often utilized in the private sector. The Authority's financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Commencing on July 1, 1995, the Authority elected to apply all GASB and Financial Accounting Standards Board ("FASB") pronouncements issued before November 30, 1989, under the provisions of GASB Statement No. 20. Accordingly, FASB Statements issued after FASB No. 104 are not incorporated in the Authority's financial statements.

Revenues from airlines, rentals, parking fees, tolls and concessions are reported as operating revenues. Capital grants, financing or investing related transactions are reported as nonoperating revenues. All expenses related to operating the Authority's facilities are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Net Assets

The Authority follows the "business type" activity requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted: Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets included the construction funds held pursuant to the 1978 Trust Agreement and the PFC Trust Agreement, as well as amounts maintained in the Retiree Benefits Trust.

A. Summary of Significant Accounting Policies, continued

- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Members of the Authority or may otherwise be limited by contractual agreements with outside parties.

Restricted Assets
The balance sheets caption, "Restricted Assets", represents trusteed assets under the 1978 Trust Agreement, the PFC Trust Agreement and the Retiree Benefit Trust ("RBT") which are earmarked to fund certain activities of the Authority such as construction of new facilities, debt service, debt service reserves and other post-employment benefits.

Cash and Cash Equivalents
The Authority considers all highly liquid investments, including Restricted Assets, with an original maturity of 30 days or less when purchased to be cash equivalents.

Investments
Investments with an original maturity greater than one year are recorded at their fair value. Investments with an original maturity of less than one year are carried at amortized cost which approximates fair value. Investments consist of U.S. Government and agency obligations, repurchase agreements collateralized by U.S. Government or agency obligations, shares in the Massachusetts Municipal Depository Trust ("MMDT") and other investments permitted under the 1978 Trust Agreement or the PFC Trust Agreement. (See Note C.)

The U.S. Treasury has issued regulations on calculating the rebate due to the U.S. Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Internal Revenue Code of 1986, as amended. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax-exempt debt in securities with higher yields. The Authority records a liability for arbitrage profits, if any, when the likelihood of payment becomes probable. The Authority recorded arbitrage rebate liability of $1.0 million in June 30, 2008 and $0.7 million in June 30, 2007, respectively.

Capital Assets
All capital assets are carried at cost less allowance for accumulated depreciation. Such costs include, where appropriate, capitalized interest and related legal costs. Expenditures for repairs and maintenance are charged to expense as incurred. The capitalization threshold table is shown below:

Asset Category	Capitalization Threshold
Buildings & Bridge	$10,000
Machinery & Equipment	$5,000
Equipment Repair/Overhaul (Major)	$25,000
Runways, Runways & Other Paving	$50,000
Land	All land acquisitions are capitalized
Land Improvements	$50,000

The Authority capitalizes certain interest costs associated with tax-exempt borrowings, less any interest earned on the investment of the proceeds of those borrowings during the period of construction. Interest expense of $1.5 million and $2.6 million, reduced by interest income of

A. Summary of Significant Accounting Policies, continued

$0.6 million and $0.4 million, resulted in capitalized interest of $0.9 million and $2.2 million for the years ended June 30, 2008 and 2007, respectively.

Depreciation is calculated on the straight-line method based on the estimated useful lives of the applicable assets beginning in the fiscal year of acquisition or completion of construction. Depreciation is computed on facilities, which are recorded in the accounts of the Authority, including those financed by grants, based on the following useful lives. (See Note D.)

Bridge	100 years
Bridge improvements	10 to 25 years
Buildings	25 years
Runways and other airfield paving	25 years
Roadway	25 years
Machinery and equipment	5 to 10 years

Bonds Payable Refunding
The Authority periodically refunds components of its bonds payable. When this occurs, the difference between the reacquisition price and the net carrying amount of the old bond payable is deferred and amortized as a component of interest expense over the life of the old or new bond payable, whichever is shorter. The amount deferred is reported as a deduction from bonds payable in the aggregate. (See Note F.)

Bond Payable Issuance Costs
Bond issuance costs represent expenses incurred in the process of issuing bonds and are amortized over the life of the related bond, using the straight-line method which approximates the effective interest method.

Passenger Facility Charges
Revenues derived from the collection of passenger facility charges ("PFCs") are recognized on the accrual basis and reported as nonoperating revenue by the Authority. (See Note E.)

Federal Grants
When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as capital or operating grant revenue in the Statements of Revenues, Expenses and Changes in Net Assets.

Revenue Recognition
Fees, tolls and other services consist of parking fees, landing fees, Bridge tolls and container handling fees. Parking fees, container handling fees and Bridge toll revenue are recognized at the time the services are provided. Landing fees are recognized as part of operating revenue when airline related facilities are utilized. Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The scheduled airline fee structure is determined annually based on full cost recovery pursuant to an arrangement between the Authority and the respective airlines.

Rental and concession fees are generated from airlines, rental cars, and other commercial tenants. Rental revenue on leases is recognized over the term of the associated lease. Concession revenue is recognized partially based on self reported concession revenue by the tenants and partially

A. Summary of Significant Accounting Policies, continued

based on minimum rental guarantees. These amounts are recognized as revenue as they are earned typically over the term of the lease.

Intangible Assets
Intangible assets consist of the rights to use certain parking spaces acquired by the Authority. Intangible assets are amortized on a straight-line basis over 30 years. Amortization expense related to intangible assets was approximately $1.5 million for fiscal year 2008 and 2007, respectively.

Self-Insurance
The Authority, as mandated by the 1978 Trust Agreement, self insures certain liabilities associated with its operations. The Authority records a liability for this exposure which is included in accounts payable and accrued expenses on the balance sheets. The funds in the restricted self insurance account are intended to pay claims that are below insurance policies' deductible limits, and to be available to fund certain claims that may not be insurable on reasonable terms, if any. Investments used to fund self-insurance claims are included within Restricted Assets in the accompanying balance sheets. (See Note N)

Accounting for Compensated Absences
The Authority accrues for vacation and sick pay liabilities when they are earned by the employee. The liability for vested vacation and sick pay is reflected in the accompanying balance sheets under "compensated absences." The compensated absences earned for fiscal year 2008 were valued at $12.4 million and those taken were valued at $12.0 million. During fiscal year 2007, the compensated absences earned were valued at $11.6 million and those taken were valued at $12.0 million.

Deferred Income
Deferred income consists primarily of amounts received in advance for future rent or other services, which will be recorded as revenue on a straight-line basis over the applicable period.

Related Parties
The Authority may enter into certain transactions from time to time with business organizations that employ individuals that are also members of the Authority. The transactions are performed in accordance with the Authority's established policies and procedures, and management and the members report and monitor related party transactions in accordance with a formally adopted Conflict of Interest Policy.

Other Post-Employment Benefits
The Authority adopted the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, ("GASB 45"), effective for the Authority's fiscal year beginning July 1, 2007. Statement No. 45 requires accrual-based measurement, recognition and disclosure of OPEB expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets.

The Authority commissioned an actuarial valuation as of July 1, 2006, which estimated its OPEB liability to be in the range of $167.5 million to $268.6 million. On May 15, 2008, the Authority approved the creation of an irrevocable trust for the purpose of funding the OPEB

A. Summary of Significant Accounting Policies, continued

liability. On June 27, 2008, the RBT was established and $54.1 million was transferred into the RBT account. (See Note H.)

New Accounting Pronouncements

In December 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* effective for the Authority's fiscal year beginning July 1, 2008. This Statement requires in certain instances the recognition of a liability related to pollution remediation programs. The statement also requires a disclosure about the pollution obligations associated with environmental clean up efforts. The Authority is currently evaluating the effect this Statement will have on its financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures,* effective for the Authority's fiscal year beginning July 1, 2008. The statement requires additional pension disclosures regarding funded status. The Authority is currently evaluating the effect this Statement will have on its financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* effective for the Authority's fiscal year beginning July 1, 2010. The statement requires the establishment of accounting and financial reporting requirements for intangible assets including easements, water rights, timber right, patents, trademarks, and computer software. The Authority is currently evaluating the effect this Statement will have on its financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative,* effective for the Authority's fiscal year beginning July 1, 2010. The statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The Authority is currently evaluating the effect this Statement will have on its financial statements.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting per Applicable Trust Agreements

Under the 1978 Trust Agreement, cash revenues of the Authority are deposited daily into the Revenue Fund established pursuant to the 1978 Trust Agreement and are transferred to the cash concentration account. All such revenues are then transferred to the various funds established pursuant to the 1978 Trust Agreement. After providing for operating expenses, including pension expense and transfers to the self insurance account, cash revenues are then transferred to the Interest and Sinking Fund, which are applied to debt service on any outstanding revenue bonds, the Maintenance Reserve Fund, the Payment In Lieu of Taxes Fund and, if applicable, the Capital Budget Fund and finally the Improvement and Extension Fund.

A. Summary of Significant Accounting Policies, continued

PFCs are deposited in the PFC Pledged Revenue Fund established pursuant to the PFC Revenue Bond Trust Agreement and are utilized to pay debt service on PFC Revenue Bonds as required in the PFC Trust Agreement. Any remaining funds are transferred to the PFC Capital Fund. Please see footnote B, Reconciliation Between Increase in Net Assets as Calculated Under GAAP and Net Revenues as Calculated Under Accounting Practices Prescribed by the 1978 Trust Agreement, below.

Financial Statement Reclassification

Certain accounts in the June 30, 2007 financial statements have been reclassified to conform to the June 30, 2008 presentation.

B. Reconciliation Between Increase in Net Assets as Calculated Under GAAP and Net Revenues as Calculated Under Accounting Practices Prescribed by the 1978 Trust Agreement

Presented below is the calculation of the net revenue of the Authority under the 1978 Trust Agreement. Net revenue calculated based on the 1978 Trust Agreement is used in determining the Authority's compliance with the debt service coverage ratio.

	2008	2007
Increase in Net Assets per GAAP	$ 87,674	$ 59,708
Adjustments:		
Add (1):		
Depreciation and amortization	162,388	157,550
Interest expense	80,862	76,860
Payments in-lieu of taxes	17,108	16,732
Other expenses	1,027	382
Self insurance expenses	824	2,583
Other non-1978 Trust expenses	2,315	-
OPEB non-1978 Trust expenses	6,703	-
Less (2):		
Passenger facility charges	(53,740)	(57,504)
Capital grant revenue	(41,818)	(10,708)
Net gain in change of fair value of investments	(2,739)	(1,812)
Other revenue	(2,099)	-
Settlement of claims	(84)	(200)
Gain on sale of equipment	(49)	(45)
Investment income on non-1978 Trust assets	(5,917)	(5,861)
Other non-1978 Trust income	-	(174)
Net Revenue per the 1978 Trust Agreement	$ 252,455	$ 237,511

(1) Expenses recognized under GAAP which are excluded under the 1978 Trust Agreement.
(2) Revenue recognized under GAAP which are excluded under the 1978 Trust Agreement.

Total Revenues, as defined by the 1978 Trust Agreement, pledged for the repayment of bonds issued under the 1978 Trust Agreement were $589.3 million and $550.1 million for the years ended June 30, 2008 and 2007, respectively. These amounts are based on total operating revenues per GAAP plus a portion of investment income less the provision for uncollectible accounts.

C. Cash, Cash Equivalents and Investments

The Authority's investments are made in accordance with the provisions of the 1978 Trust Agreement and the PFC Revenue Bond Trust Agreement along with investment policy adopted by the Members of the Authority (the "Investment Policy"). The goals of the Investment Policy are, in order of importance, to preserve capital, to provide liquidity and to generate interest income.

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2008 and 2007.

(In thousands)

2008 Cash , Cash Equivalents and Investments	Credit Rating (1)	Cost	Fair Value	Effective Duration
Federal Home Loan Bank	AAA/Aaa	$ 148,346	$ 149,233	2.062
MMDT	Unrated	105,892	105,893	0.003
Forward Delivery Agreements	AAA/Aaa	97,790	97,791	4.407
Federal National Mortgage Association	AAA/Aaa	97,354	97,699	1.478
Corporate Commercial Paper	A-1+/P-1	58,903	58,902	0.044
Federal Home Loan Mortgage Corp.	AAA/Aaa	83,226	83,356	1.840
Morgan Stanley Government Fund	AAA/Aaa (4)	36,573	36,573	0.003
State Street Money Market Fund	A-1+/P-1 (4)	53,977	53,977	0.003
Cash Deposits	Unrated	12,597	12,597	0.003
ParkEx Principal GIC	AAA/Aaa (3)	18,928	18,928	11.611
Federal Farm Credit	AAA/Aaa	25,392	25,711	1.289
Certificates of Deposits	AAA/Aaa (2)	5,016	5,016	0.335
Citizens Bank Money Market	Unrated	4,482	4,482	0.003
		$ 748,476	$ 750,158	

(In thousands)

2007 Cash , Cash Equivalents and Investments	Credit Rating (1)	Cost	Fair Value	Effective Duration
Federal Home Loan Bank	AAA/Aaa	$ 178,714	$ 178,465	0.732
MMDT	Unrated	120,016	120,016	0.003
Forward Delivery Agreements	AAA/Aaa	99,097	99,102	3.735
Federal National Mortgage Association	AAA/Aaa	89,854	89,257	0.728
Corporate Commercial Paper	A-1+/P-1	44,078	44,082	0.052
Federal Home Loan Mortgage Corp.	AAA/Aaa	40,695	40,472	1.154
Morgan Stanley Government Fund	AAA/Aaa	37,484	37,484	0.003
Cash Deposits	Unrated	18,644	18,644	0.003
ParkEx Principal GIC	AAA/Aaa (3)	17,815	17,814	11.846
Federal Farm Credit	AAA/Aaa	15,133	15,135	0.005
Certificates of Deposits	AAA/Aaa (2)	5,030	5,030	0.360
Citizens Bank Money Market	Unrated	4,493	4,493	0.723
		$ 671,053	$ 669,994	

(1) The ratings shown in this table are from either S&P or Moody's as of June 30, 2008.
(2) Collateralized by Federal Agency Notes, or Letter of Credit backed by each reserves.
(3) Underlying Rating of the securities held.
(4) Credit quality off fund holdings.

C. Cash, Cash Equivalents and Investments, continued

As of June 30, 2008, all investments were held on behalf of the Authority by the Trustee, the PFC Trustee or custodians in the Authority's name. Any repurchase agreements are fully collateralized by obligations of the U.S. Government or agencies of the U.S. Government. The 1978 Trust Agreement and the PFC Trust Agreement both require that securities collateralizing repurchase agreements must continuously have a fair value at least equal to the cost of the agreement plus accrued interest.

The Authority's investments in forward delivery agreements are in the form of a guaranteed investment contract ("GIC") which provides for, among other things, the sequential delivery of securities to be sold to the Trustee or PFC Trustee, as applicable, periodically at a discount from maturity value such that the aggregate discount equals the interest rate previously agreed between the Authority and the provider of the guaranteed investment contract.

The total unrealized gain due to the changes in fair value of investments as of June 30, 2008, was approximately $1.7 million related to investments with maturities in excess of one year. As of June 30, 2007, the total unrealized loss due to the changes in fair value of investments was approximately $1.1 million related to investments with maturities in excess of one year.

a) Credit Risk

Credit risk is the risk that the Authority will be negatively impacted due to the default of the security issuer or investment counterparty.

The Authority's 1978 Trust Agreement and PFC Trust Agreement each stipulate that, in addition to U.S. Treasury and government agency obligations, only certain highly rated securities are eligible investments, including bonds or obligations of any state or political subdivision thereof rated in the two highest rating categories by both Moody's and S&P; commercial paper of a U.S. corporation or finance company or money market funds rated in the highest rating category, without regard to gradations within categories, by both Moody's and S&P; and investment contracts with banks whose long-term unsecured debt rating is in one of the two highest rating categories by both Moody's and S&P.

b) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Authority and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

With respect to the Authority's credit risk and custodial risk, the Authority continually evaluates the credit ratings of its service providers, including but not limited to its insurance providers and investment portfolio managers. Based on information known to the Authority as of September 26, 2008, the Authority does not believe that it faces any material risk of loss related to financial position of these service providers. The Authority will continue to monitor the credit ratings and financial position of its significant service providers.

C. Cash, Cash Equivalents and Investments, continued

The Authority maintains depository accounts with Bank of America, N.A., Wachovia Bank, N.A., and with the Bank of New York, the PFC Trustee. The Authority maintains payroll disbursement, lockbox and collection accounts (for other than PFCs) with the Bank of America, N.A. None of these accounts are collateralized.

c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Authority has set targets for the preferred maturity structure for the investments held for each fund and account and also sets targets each quarter for the effective duration for each fund that reflect the need for liquidity and the expected tradeoffs between yield and term for each different fund and account. It is the Authority's policy to hold investments until maturity in order to insulate the Authority's investment earnings from interest rate risk.

d) Concentration of Credit Risk

Concentration of Credit Risk is assumed to arise when the amount of investments that the Authority has with any one issuer exceeds 5 percent of the total value of the Authority's investments. The portions of the Authority-wide portfolio, excluding the MMDT and U.S. Government guaranteed obligations and including the underlying securities held under forward delivery agreements, that exceed 5% of the portfolio are as follows:

	2008	2007
Issuer:	**% of Portfolio**	**% of Portfolio**
Federal Home Loan Bank	20.23%	29.49%
Federal Home Loan Mortgage Corp.	11.30%	6.04%
Federal National Mortgage Association	13.25%	24.30%

e) Schedule of Maturities

The table below presents the Authority's cash and cash equivalents and investments based on maturity date:

	June 30, 2008		June 30, 2007	
In Thousands	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Securities with original maturity 1 year or over	$ 426,144	$ 427,826	$ 334,340	$ 333,281
Securities with original maturity less than 1 year	109,811	109,811	109,012	109,012
Cash and cash equivalents	212,521	212,521	227,701	227,701
	$ 748,476	$ 750,158	$ 671,053	$ 669,994

C. Cash, Cash Equivalents and Investments, continued

Following is a condensed supplemental schedule which identifies cash and investment balances at cost by the Authority's fund name:

(In thousands)	2008	2007
Improvement and Extension Fund	$ 123,505	$ 78,778
Debt Service Reserve Funds under the 1978 Trust Agreement	114,733	111,575
Capital Projects	111,301	65,274
Debt Service Funds under the 1978 Trust Agreement	74,586	71,960
Maintenance Reserve Fund	58,871	45,866
Retiree Benefit Trust (1)	53,977	50,785
Operating/Revenue Fund	47,648	50,646
Self-Insurance Account	35,600	36,134
Debt Service Reserve Funds under the 1999 PFC Trust Agreement	30,345	30,099
Debt Service Funds under the 1999 PFC Trust Agreement	21,773	16,883
Subordinated Debt Funds	21,321	20,211
Commercial Paper Repayment	13,002	-
Other PFC Funds	11,054	7,655
Other Funds	10,843	14,484
2008-A & B Project Funds	10,173	-
2007-B & D PFC Project	6,209	44,447
2007-A & C Funds	3,535	22,269
2005-A & B Project Funds	-	3,987
	$ 748,476	$ 671,053

(1) The Authority commissioned an actuarial valuation as of June 30, 2006, which estimated the OPEB liability to be in the range of $167.5 million to $268.6 million. On June 27, 2008, the Retiree Benefits Trust was established and $54.1 million was transferred into the Trust's restricted accounts. As of June 30, 2007, the Authority's Board of Directors designated approximately $50.8 million in unrestricted net assets to partially fund the OPEB liability.

D. Capital Assets

A summary of changes in capital assets, net for the fiscal year ending June 30, 2008 is as follows:

(In thousands)	Balance June 30, 2007	Additions and Transfers	Deletions and Transfers	Balance June 30, 2008
Capital Assets				
Bridge and bridge improvements	$ 117,858	$ 7,021	$ -	$ 124,879
Buildings	2,323,887	49,548	11,771	2,385,206
Runway & other paving	534,915	35,810		570,725
Roadway	567,594	14,297		581,891
Machinery & equipment	146,447	31,628	(164)	177,911
Capital Assets, subject to depreciation	3,690,701	138,304	11,607	3,840,612
Land	140,869			140,869
Construction work-in progress	49,525	143,058	(138,304)	54,279
Capital Assets	3,881,095	281,362	(126,697)	4,035,760
Less: accumulated depreciation:				
Bridge and bridge improvements	(72,796)	(5,127)		(77,923)
Buildings	(879,687)	(74,647)	(12,161)	(966,495)
Runway & other paving	(181,126)	(22,575)		(203,701)
Roadway	(135,097)	(25,262)		(160,359)
Machinery & equipment	(70,476)	(33,236)	128	(103,584)
Accumulated Depreciation	(1,339,182)	(160,847)	(12,033)	(1,512,062)
Capital Assets, net	$ 2,541,913	$ 120,515	$ (138,730)	$ 2,523,698

Total depreciation for fiscal year 2008 was $160.8 million, an increase of $4.5 million from fiscal year 2007, which was $156.3 million.

Capital assets (excluding construction in progress) at June 30, 2008 and 2007 are comprised of:

(In thousands)	2008	2007
Facilities completed by operation:		
Aviation	$ 3,383,728	$ 3,249,284
Bridge	144,819	138,665
Port	452,934	443,621
Capital assets (excluding construction in progress)	$ 3,981,481	$ 3,831,570

E. Passenger Facility Charge

In 1993, the Authority received initial approval from the Federal Aviation Administration ("FAA") to impose a $3.00 passenger facility charge ("PFC") at Logan Airport. PFCs collected by the Authority can be used for capital projects determined by the FAA to be eligible in accordance with the Aviation Safety and Capacity Expansion Act of 1990. Effective October 1, 2005, the FAA increased the Authority's collection authority to $4.50. Through June 30, 2008, the Authority had collected $569.1 million in PFCs.

In February 1998, the Authority received approval from the FAA to increase its collections up to $927.4 million with a projected expiration date of October 1, 2017. The Authority has also received approval from the FAA to use or expend a total of $927.4 million for preliminary design projects as well as for the final design, construction and financing costs associated with the eligible portions of residential soundproofing, Terminal E Modernization, circulating roadways, the elevated walkways, and the International Gateway Project. On December 6, 2005, the Authority submitted an application to impose and use PFCs for additional soundproofing, for six airfield projects and for various security projects. On April 20, 2006, the FAA issued a Final Agency Decision approving the requested projects, increasing the collection authority to $995.0 million increasing the use authority to $982.2 million and extending the projected expiration date to February 1, 2016.

On May 6, 1999, the Authority entered into the PFC Trust Agreement with The Bank of New York, as trustee, simultaneously removing PFC revenues from the pledge of the 1978 Trust Agreement. All PFCs collected by the Authority are currently pledged under the PFC Trust Agreement. On June 16, 1999, the Authority issued approximately $249.4 million of PFC Revenue Bonds, Series 1999-A and 1999-B pursuant to the PFC Trust Agreement. On May 31, 2007, the Authority issued the $48.5 million in Series 2007-B bonds to fund PFC projects and $65.1 million in Series 2007-D bonds to refund the 1999-A bonds. As of June 30, 2008, $224.9 million of PFC bonds were outstanding (prior to the principal payment made on July 1, 2008) and $236.3 million was outstanding as of June 30, 2007 (prior to the principal payment made on July 1, 2007). The Series 1999-A&B Bonds were originally backed by a pledge of the $3.00 collections; currently the Series 1999-B bonds and the Series 2007-B&D bonds are backed by a pledge of the $4.50 collections.

On July 29, 2005, the Authority submitted a request to amend the existing PFC authorization to increase the collection amount from $3.00 to $4.50, and to decrease the FAA-approved amount for certain completed projects and increase the FAA-approved amount for the International Gateway Project by 11.4%. On September 2, 2005, the FAA issued a record of decision increasing the PFC to $4.50, effective October 1, 2005, and shortening the projected expiration date to February 1, 2011.

F. Bonds and Commercial Notes Payable

The Authority's bonds payable outstanding were as follows as of June 30,

Bonds Payable (in thousands)	Issue Date	Interest Rates	Maturity Date	Outstanding Bond Balance 2008	2007
Senior Debt - 1978 Trust Agreement					
Series 1997-A Revenue Bonds	07/31/97	5.25%	2008	$ 3,525	$ 6,880
Series 1997-B Revenue Bonds	08/15/97	5.0% - 5.1%	2008-2010	3,355	4,370
Series 1997-C Refunding Bonds	07/31/97	4.7% - 5.125%	2008-2020	14,780	15,585
Series 1998-A Refunding Bonds	01/29/98	4.6%-5.75%	2009-2023	104,660	104,660
Series 1998-B Refunding Bonds	01/29/98	5.0%-5.375%	2008-2018	32,165	33,975
Series 1998-C Refunding Bonds	01/29/98	6.4%-6.45%	2008-2009	21,810	35,955
Series 1998-D Revenue Bonds	08/05/98	4.5%-5.0%	2008-2028	38,245	39,825
Series 1998-E Revenue Bonds	08/05/98	4.6% - 5.25%	2008-2028	73,245	75,195
Series 1999-C Revenue Bonds	11/12/99	4.9% - 5.0%	2008-2010	7,950	10,360
Series 1999-D Revenue Bonds	11/12/99	5.0% - 6.25%	2008-2029	65,375	66,860
Series 2003-A Revenue Bonds	05/22/03	2.1% - 5.0%	2008-2033	208,370	212,590
Series 2003-B Revenue & Refunding Bonds			Refunded	-	72,775
Series 2003-C Refunding Bonds	05/22/03	2.1% - 5.0%	2008-2018	63,825	69,790
Series 2005-A Revenue Bonds	05/05/05	3.0% - 5.0%	2008-2035	186,855	190,165
Series 2005-B Revenue Bonds	05/05/05		Refunded	-	28,775
Series 2005-C Refunding Bonds	05/05/05	3.0% - 5.0%	2008-2029	231,400	231,890
Series 2007-A Revenue Bonds	05/31/07	3.5% - 4.5%	2008-2037	51,465	51,465
Series 2007-C Refunding Bonds	05/31/07	3.8% - 5.0%	2009-2027	32,125	32,125
Series 2008-A Multi-Modal Revenue Bonds	06/19/08	Variable	2009-2038	24,285	-
Series 2008-B Multi-Modal Revenue Refunding Bonds	06/19/08	Variable	2009-2035	100,920	-
Subordinate Debt - 1978 Trust Agreement					
Series 2000-A, B & C Revenue Bonds	12/29/00	6.45%	2030	40,000	40,000
Series 2001-A, B & C Revenue Bonds	01/02/01	6.45%	2031	34,000	34,000
Senior Debt - PFC Trust Agreement					
Series 1999-B PFC Revenue Bonds	06/09/99	4.8% - 5.5%	2008-2015	111,240	122,675
Series 2007-B Revenue Bonds	05/31/07	4.0% - 5.0%	2008-2017	48,480	48,480
Series 2007-D Refunding Bonds	05/31/07	3.5% - 5.5%	2009-2017	65,130	65,130
Total Bonds Payable				**1,563,205**	**1,593,525**
Plus unamortized discount/premium				49,315	51,983
Less: unamortized loss on refunding				(26,112)	(26,433)
Total Bonds Payable, net				$ 1,586,408	$ 1,619,075
Less: current maturities of bonds payable				(68,095)	(57,673)
Non current maturities of bonds payable				$ 1,518,313	$ 1,561,402

The following summarizes the Authority's bonds payable activity excluding unamortized discount/premium and unamortized loss on refunding during fiscal years 2008 and 2007:

(in thousands)	2008	2007
Long term bonds payable, beginning of year	$ 1,593,525	$ 1,549,330
Debt issuances	125,205	197,200
Principal paid on refunded bonds payable	(98,825)	(100,385)
Principal paid on bonds payable	(56,700)	(52,620)
Long term bonds payable, end of year	$ 1,563,205	$ 1,593,525

F. Bonds and Commercial Notes Payable, continued

The following summarizes the bonds payable maturities and sinking fund requirements excluding unamortized discount/premium and unamortized loss on refunding utilizing interest rates in effect as of June 30, 2008.

	(in thousands)		
Due Fiscal Year	Principal	Interest	Total Debt Service
2009	$ 60,955	$ 73,600	$ 134,555
2010	67,175	77,160	144,335
2011	71,155	74,011	145,166
2012	74,480	70,486	144,966
2013	78,770	66,749	145,519
2014 - 2018	362,540	279,083	641,623
2019 - 2023	210,955	193,669	404,624
2024 - 2028	196,480	130,679	327,159
2029 - 2033	275,245	61,371	336,616
2034 - 2038	163,890	8,367	172,257
2039	1,560	102	1,662
Total	$ 1,563,205	$ 1,035,277	$ 2,598,482

Senior Debt - 1978 Trust Agreement: On June 19, 2008, the Authority issued $24.3 million in Series 2008-A Bonds that were not subject to the Alternative Minimum Tax regulations under the Internal Revenue Code ("AMT") in order to repay $13.0 million of the Series 2003-A commercial paper program and to fund projects in the Authority's capital plan. The Authority also issued $100.9 million in Series 2008-B Bonds that were subject to the AMT in order to refinance the Series 2003-B and the 2005-B Bonds that represented all of the Authority's outstanding auction rate paper. While the Series 2003-B bonds had been insured by MBIA Insurance Corporation and the Series 2005-B bonds had been insured by Ambac Assurance Corporation, the 2008 Bonds are not insured. All of the 2008-A/B Bonds were issued at par as weekly, variable rate demand notes, and are backed by a Letter of Credit from the Bank of America.

On May 31, 2007, the Authority issued the Series 2007-A Revenue Bonds and 2007-C Refunding Bonds (the 2007 Bonds) in the aggregate principal amount of approximately $83.6 million with a net original issue premium of approximately $0.8 million. The 2007-A Bonds were issued to finance a portion of the Authority's capital program. The 2007-C Bonds were issued to refund a portion of the Authority's Revenue Bonds, Series 1997-B. These bonds are fixed rate revenue bonds, which are insured by Financial Security Assurance, Inc. This refunding resulted in the recognition of an accounting loss of approximately $1.2 million, which is being amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded and the refunding debt service was $2.8 million. This refunding had an economic gain and will achieve an estimated net present value savings of approximately $1.9 million or 6%. The Authority's bonds are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement.

F. Bonds and Commercial Notes Payable, continued

Subordinate Debt – 1978 Trust Agreement: Subordinated debt is payable solely from funds on deposit in the Improvement and Extension Fund (see Note C) and is not subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement. The Authority has invested $12.0 million which at maturity will provide for the $74.0 million principal payments of the subordinate debt at their respective maturities. As June 30, 2008, this investment has increased in value to $18.9 million.

Senior Debt - PFC Trust Agreement: On May 31, 2007, the Authority issued $48.5 million in PFC Revenue Bonds, Series 2007-B with an original issue premium of approximately $0.6 million in order to fund the PFC eligible portions of various airfield projects, and the Authority also issued $65.1 million in PFC Revenue Refunding Bonds Series 2007-D with an original issue premium of approximately $5.5 million to refund all of the 1999-A bonds. The current refunding resulted in the recognition of an accounting loss of $3.1 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded and the refunding debt service was $3.9 million. This refunding had an economic gain and achieved a net present value savings of $2.8 million or 4.17%. The annual savings for fiscal year 2007 through fiscal year 2027 are approximately $0.4 million. All of the Authority's outstanding PFC debt is now backed by a pledge of the $4.50 PFC collections. The Authority earned Net PFC Revenues as defined by the PFC Revenue Bond Trust Agreement of approximately $54.7 million and $58.4 million during fiscal years 2008 and 2007, respectively. These amounts include approximately $1.0 million and $0.9 million of investment income on PFC receipts during fiscal years 2008 and 2007, respectively.

Defeased Bonds: In prior years, the Authority has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the trustee for such bonds to provide for all future debt service payments on the defeased bonds. Accordingly, the trust fund assets and the liability for the defeased bonds are not included in the Authority's Financial Statements. The total defeased bonds to date approximate $391.0 million.

Special Facility Bonds: To provide for the construction and improvement of various facilities at Logan Airport, the Authority has issued nine series of special facilities revenue bonds. The Authority's special facilities revenue bonds are all special limited obligations of the Authority, and are payable solely from and secured solely by certain revenues of a separate trustee. The Authority's special facilities revenue bonds do not constitute a debt or pledge of the full faith and credit of the Authority or the Commonwealth or any subdivision thereof and, accordingly, have not been reflected in the accompanying financial statements. As of June 30, 2008, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding was approximately $718.0 million, and consisted primarily of the following items.

Approximately $497.6 million of the Authority's special facility bonds relate to the Delta Airlines Series 2001 A, B and C bonds issued in connection with Delta Airlines construction of Terminal A. Delta Airlines entered and emerged from bankruptcy. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than a portion of the Terminal A airline revenue, to service the debt. The Authority and Delta Airlines negotiated a restated and amended lease (the "Amended Lease") for Terminal A pursuant to which Delta Airlines reduced the number of gates that it occupied in Terminal A. The Amended Lease was approved by the Bankruptcy Court and was effective as of July 1, 2006.

F. Bonds and Commercial Notes Payable, continued

In fiscal year 2007, the Authority issued approximately $106.6 million in bonds to fund $15.2 million of improvements to the fuel delivery system at Logan Airport, and to refund the existing special facility revenue bonds related to the construction of this fuel delivery system. The refunding generated an estimated present value savings of approximately $5.2 million. In fiscal year 2006, the special facilities revenue bonds issued in connection with United Airlines were discharged when the United Airlines Plan of Reorganization was approved by the bankruptcy court in February 2006.

Commercial Notes Payable: The Authority's Commercial notes payable as of June 30, 2008 and 2007 were as follows:

(in thousands)	2008	2007
Commercial paper notes, beginning of year	$ 89,000	$ 89,000
New commercial paper issued	13,000	-
Commercial paper notes, end of year	$ 102,000	$ 89,000

Commercial notes payable have been issued under the terms of the 1978 Trust Agreement and are backed by the proceeds of the improvement and extension fund or anticipated bond funds. In fiscal year 2008, the Authority issued $13.0 million of commercial paper to fund the acquisition of airport roadways. This $13.0 million was re-paid in July 2008. The remaining proceeds of commercial notes payable have been used to fund PFC eligible projects; therefore, the Authority anticipates that PFC revenues will be the source of the cash to pay such redemptions. The Authority does not expect to make any additional principal payments on the existing commercial notes payable, which are 2003 Series A and B through fiscal year 2009. The blended interest rate on Series 2003-A was 2.86% and Series 2003-B was 3.04% during fiscal year 2008.

On May 1, 2007, the Authority amended its commercial notes payable program and increased the allowable maximum principal amount outstanding at any time to an aggregate principal amount not to exceed $150.0 million, and entered into a new Letter of Credit Agreement with the Bank of New York for a five-year term.

On July 1, 2002, the Authority entered into a pay-variable, receive-fixed interest rate swap with a term of ten years to refund synthetically $56.0 million of the Authority's Revenue Bonds, Series 1999-D and $44.0 million of its Revenue Bonds, Series 1998-E. On June 5, 2006 the Authority terminated the swap. In fiscal year 2007, the Authority applied the swap termination payment of $0.8 million received from Citigroup to reduce debt service. Approximately $0.5 million was applied to the debt service for the 1999D Bonds and $0.4 million was applied to the debt service for the 1998-E Bonds. In fiscal year 2006, the Authority received four quarterly payments from Citigroup totaling approximately $1.3 million of which $0.7 million was applied to the debt service for the 1999-D Bonds and $0.6 million was applied to the debt service for the 1998-E Bonds. During fiscal year 2008 and fiscal year 2007, the Authority did not participate in any Interest Rate Swaps.

G. Pension Costs

In July 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 ("C.487"). This act provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the "Plan"). Prior to this enactment, Authority employees were members of the Massachusetts State Employees' Retirement System, and the funding of the pension liability was on a "pay as you go" method. Pursuant to C.487, the employees' rights and benefits under the state plan were transferred to the new system, and the Authority established a separate pension fund. The Plan was established to provide retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Plan is a contributory single employer defined benefit plan to which the Authority and its employees contribute such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to plan participants. The Plan issues a stand-alone financial report which can be obtained by writing to:

Massachusetts Port Authority Employees' Retirement System
One Harborside Drive, Suite 200S
East Boston, MA 02128-2909

At January 1, 2008, the Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:	546
Current members:	
Active	1,179
Inactive	63
Total	1,242

Benefits are paid by the Plan from net assets available for Plan benefits. Plan participants are entitled, at normal retirement date, to benefit payments based upon length of service and earnings levels. Vesting occurs after ten years of service. Optional payment methods may be elected, including the contingent annuitant method which provides for reduced payments during the life of the Plan participant and continued payments to the participant's beneficiary after the death of the participant.

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation dates was approximately $81.1 million as of January 1, 2008 and $76.8 million as of January 1, 2007. The actuarial cost method utilized to determine contributions for the year ended December 31, 2007 is the Frozen-Entry-Age Actuarial Cost Method Plan. The more significant actuarial assumptions underlying the actuarial computations for the Plan year ended December 31, 2007 are as follows:

G. Pension Costs, continued

Assumed rate of return on investments - 7.75% per annum compounded annually

Nondisabled life mortality basis - The RP-2000 Mortality Table

Withdrawal prior to retirement - The rates shown at the following sample ages illustrate the withdrawal assumption

	Rate of Withdrawal	
Age	**Group 1 and 2**	**Group 4**
25	9.0%	1.8%
30	5.6	1.7
35	3.2	1.3
40	2.3	0.5
45	1.8	0.04
50	1.5	N/A
55	N/A	N/A

Salary escalation - 5.0% per annum

Rate of Inflation - 3.0% per annum

Rates of retirement - Group 1, 2 and 4 employees are assumed to retire at the following rates upon attainment of 10 years of service.

Age	Groups 1 and 2*	Group 4*
50	N/A	5%
51	N/A	5
52	N/A	5
53	N/A	5
54	N/A	5
55	9%	35
56	3	15
57	5	15
58	2	15
59	6	15
60	6	15
61	8	15
62	11	15
63	14	15
64	13	15
65	100	100

*Groups 1, 2 and 4 are assigned based on employee class.

Retirement benefits - Depending on age at retirement and "Group" classification, 0.1%-2.5% per year of service times highest three-year average salary.

Post retirement cost of living increases - 3% per annum compounded annually on the first $12,000 of pension benefits.

G. Pension Costs, continued

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. The Plan also amortizes the unfunded actuarial accrued liabilities in level amounts at 7.75% over a period of 20 years on a closed basis. The actuarial value of assets is determined using fair values (adjusted by payables and receivables) adjusted to phase in investment gains or losses above or below the expected rate of investment return. A four-year rolling period is used.

Total contributions to the Plan were approximately $8.6 million for the plan year ended December 31, 2007. This includes employee contributions of $7.6 million, which are based upon a percentage of employee base pay (5% for employees hired before January 1, 1975; 7% for employees hired between January 1, 1975 and January 1, 1984; 8% for employees hired after January 1, 1984 but prior to July 1, 1996; and 9% for employees hired after July 1, 1996; and, effective January 1, 1998, an additional 2% of base pay over $30,000 for those employees hired after December 31, 1978), and the Authority's contribution of $1.0 million to the Plan for the year ended December 31, 2007. Authority contributions are determined each year in accordance with an annual actuarial valuation performed for the Plan's fiscal year beginning January 1.

As presented in the following table, the Frozen Entry Age Actuarial Method for calculating the schedule of funding progress is the methodology required by the Plan under its charter.

Schedule of Funding Progress (in thousands):

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability ("AAL")	(b-a) Unfunded actuarial accrued liability ("UAAL")	(a/b) Funded ratio	(c) Covered payroll	(b-a)/c UAAL as a percent of covered payroll
1/1/07	$368,346	$357,507	($10,839)	103.0%	$76,835	(14.1%)
1/1/06	327,714	317,033	(10,681)	103.4%	73,514	(14.5%)
1/1/05	304,427	293,550	(10,877)	103.7%	71,030	(15.3%)
1/1/04	293,743	282,683	(11,060)	103.9%	64,522	(17.1%)
1/1/03	275,618	261,594	(14,024)	105.4%	64,945	(21.6%)

Analysis of the dollar amounts of actuarial value of assets, AAL and UAAL, in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the AAL provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in assets in excess of AAL and annual covered payroll are both affected by inflation. Expressing the assets in excess of AAL as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due.

G. Pension Costs, continued

Schedule of Employer Contributions
(in thousands)

Calendar Year ended December 31	Annual required employer contributions (ARC)	Employer contributions as a percent of ARC
2007	$1,006	100%
2006	3,149	100%
2005	3,729	100%
2004	2,150	100%
2003	1,842	100%

The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation
Plan investments are reported at fair value. Securities traded on a national or international securities exchange are valued at the last reported sales price on the last business day of the plan year; investments traded on a national securities exchange for which no sale was reported on that date and investments in common and preferred stocks traded in over-the-counter markets are valued at the mean of the last reported bid and asked prices, or the last reported bid price. Mutual funds and commingled funds, including real estate, are valued based on net asset value at year-end. Limited partnerships are valued using the valuations reported by the general partner.

Certain operating expenses incurred by the Plan are funded by the Authority through additional employer contributions. Investment management fees, consulting fees and custodial fees for the Plan are reflected as deductions to investment income.

H. Other Post-employment Benefits (OPEB)

Plan Description. In April 1981, the Authority adopted a retiree benefit plan whereby the Authority assumes the full cost of group health insurance including basic life insurance, dental insurance and catastrophic illness coverage to those retirees and surviving spouses who have retired under the Authority's retirement system (collectively referred to as the "OPEB Plan").

In June 2008, the Authority created the Retiree Benefits Trust ("RBT"), an irrevocable trust to fund its OPEB Plan obligations. In no event shall any part of the principal or income of the RBT be paid or revert back to the Authority or be used for any purpose whatsoever other than for the exclusive benefit of retirees and their beneficiaries. No part of the assets of the RBT may inure to the exclusive benefit of any retiree or beneficiary other than by benefit payments of for services provided to the Trustee in administration of the RBT.

Benefit Provisions. The OPEB Plan is a single-employer plan and offers retirees, as defined above, a choice of medical plans, as well as two dental plans, and basic life insurance. The medical plans are either HMOs, PPOs or indemnity plans, and some are designed to work with Medicare benefits, such a Medicare supplement or Medicare HMO plans. The basic life insurance provides a $5,000 death benefit to the retiree. Spouses and dependants are not eligible for this death benefit upon their death.

H. Other Post-employment Benefits (OPEB), continued

As July 1, 2006, the OPEB Plan's membership consisted of:

• Actives	
- Pre-Medicare Coverage	244
- Post-Medicare Coverage	879
Total	1,123
• Inactive vested members	60
• Retired, Disabled, Survivors and Beneficiaries (Including Spouses)	623

Summary of Significant Accounting Policies
Basis of Presentation
The Authority established an RBT fund in connection with the adoption of GASB 45, and this fund is consolidated into the Authority's financial statements in accordance with the principles and reporting guidelines set forth by the GASB. Assets and liabilities are recorded using the accrual basis of accounting. Assets consist primarily of cash and investments and are accounted for in accordance with the previously disclosed investment accounting policy. Liabilities of the fund include accounts payable, which represent amounts due to insurance providers for premiums and accrued investment management and administrative fees, if any, and the actuarial accrued liability for all future retiree benefits. The fund measures its results of operations, which includes primarily, investment earnings, insurance and benefit expenses, including amortization of the actuarial accrued liability, and investment management and administrative expenses.

Funding Policy and Contributions
During fiscal year 2008, the Authority contributed approximately $54.1 million into the RBT. Previously, the Authority discharged its premium obligations on a pay-as-you-go basis. Currently, retirees do no contribute any amounts to the Retiree Benefits Trust.

During fiscal year 2008, the Authority paid $9.2 million for retiree benefits, including $5.6 million for current premiums on a pay-as-you-go basis and an additional $3.6 million to pre-fund future retiree benefits, which was included in the $54.1 million contribution discussed above.

OPEB Actuarial Valuation
The Authority's OPEB Plan actuarial valuation was conducted by an independent third party as of July 1, 2006. The valuation was performed in accordance with GASB statements No. 43 and 45 requirements at the request of the Authority to satisfy its financial statement reporting guidelines to the sponsoring employers that administer these type of benefit programs through the establishment of a RBT. The reporting guidelines were intended to improve cost disclosures, and do not require any funding arrangements. The valuation will need to be conducted at least every two years, and therefore the Authority will obtain a valuation effective as of July 1, 2008 during fiscal year 2009.

H. Other Post-employment Benefits (OPEB), continued

Funding Status and Funding Progress

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percent of covered payroll
7/1/2006	$ -	$ 167,520	$ 167,520	0.0%	$ 98,955	169.3%

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), as actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover its normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual RBT cost and change in net RBT assets as of June 30, 2008 (in thousands):

Annual required contribution (ARC)	$ 15,763
RBT operating expenses, net	87
Annual RBT expenses	15,850
Contributions made :	
Current premiums on pay-as-you-go basis	5,583
RBT initial funding contributions	54,064
Total contributions made	59,647
Interest earned on RBT assets	12
Increase in RBT assets, net	43,809
RBT net assets - beginning of year	-
RBT net assets - end of year	$ 43,809

Disclosure of Information about Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial assumptions are based on the benefits provided under the terms of the OPEB Plan as approved by the Authority's Board in effect at the time of each valuation and on the pattern of cost sharing between the employer and participants at that point, if any.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

H. Other Post-employment Benefits (OPEB), continued

Actuarial Methods and Assumptions

Amortization Method	- Level % of Projected Payroll
Actuarial Cost Method	- Projected Unit Credit
Actuarial Asset Valuation Method	- Not applicable, no assets as of valuation date
Interest Rate/Discount Rate	- 7.75% per year net if investment expenses
Amortization Period	- 30 years

Health Care Cost Trend Rates:

Year	Commercial Managed Care	Commercial Indemnity	Medicare Supplement Managed Care	Medicare Supplement Indemnity	Medicare Part B	Dental
2007	11%	12%	10%	11%	5%	10%
2008	10%	11%	9%	10%	5%	9%
2009	9%	10%	8%	9%	5%	8%
2010	8%	9%	7%	8%	5%	7%
2011	7%	8%	6%	7%	5%	6%
2012	6%	7%	6%	7%	5%	5%

I. Contingent Liabilities and Commitments

Contractual Obligations for Construction
Contractual obligations for construction were approximately $184.2 million and $211.6 million as of June 30, 2008 and 2007, respectively.

Guarantee and Intercreditor Agreement
During fiscal 2002, the Authority entered into a Guarantee and Intercreditor Agreement (the "Intercreditor Agreement") with The Bank of New York (the "Bank") in connection with an unrelated limited liability company's bonds. The bonds were issued in fiscal year 2000 to provide financing to the limited liability company (the "Company"), which is a tenant of the Authority, to fund construction of a multi-tenant seafood processing and distribution center (the "Facility") located at the North Jetty in the Marine Industrial Park in Boston, Massachusetts on which the Authority has a long-term lease from the City of Boston. The Intercreditor Agreement represented a guarantee by the Authority to pay the Bank up to $10.0 million in the event the Company did not meet its obligations to pay the guaranteed obligations, as defined. The Authority and the Company also entered into an Amended and Restated Reimbursement Agreement (the "Reimbursement Agreement") pursuant to which the Authority agreed to advance for the benefit of the Company up to $10.0 million to the Bank under the Intercreditor Agreement in the event the Company failed to repay drawings on the letter of credit issued by the Bank to support the bonds and up to $0.9 million to others for certain additional costs, and the Company agreed to repay such advances over a term of up to 15 years, with interest on the unpaid balance at 5% per annum.

On October 3, 2006, the Guarantee and Intercreditor Agreement was cancelled as part of a refinancing of the project. During fiscal year 2007, the loan was paid in full and the Authority

I. Contingent Liabilities and Commitments, continued

received total repayments of approximately $1.0 million, which included principal and interest on the loan.

Third Harbor Tunnel

The Massachusetts Highway Department ("MHD") undertook a depression of a portion of I-93 in downtown Boston ("Central Artery") and the extension of the eastern terminus of I-90 to the Airport by construction of a new tunnel under Boston Harbor (the "Ted Williams Tunnel"), (collectively, the "CA/T Project").

In March 1999, the Authority, MHD and the Massachusetts Turnpike Authority ("MTA") entered into a Roadway Transfer Agreement, which was supplemented and amended on October 27, 1999 and January 29, 2001, that provides for the acquisition by the Authority of certain identified segments of the CA/T Project located at Logan Airport following completion of construction of such segments, in exchange for installment payments by the Authority to the Commonwealth totaling an aggregate of $365.0 million. The Authority made payments totaling $352.6 million through June 30, 2008. In July 2008, the Authority made a payment of $10.4 million. The remaining payment of $2.00 million is subject to MTA's satisfactory completion of the aforementioned segments in accordance with the Roadway Transfer Agreement.

Seaport Bond Bill

The Seaport Bond Bill was enacted in 1996 and among other things, provides for funding improvements to the Massachusetts rail transportation network allowing rail shipment of double stack cargo from Allston Yards in Boston to points west, which is anticipated to encourage expanded container shipments through the Port of Boston. The Seaport Bond Bill requires that the Authority provides up to fifty percent (50%) of the cost of improvements to the rail line from Framingham to the Allston Yard in Boston permitting double stack shipments. Expenditure of funds will not occur until the execution of a Master Agreement, as defined by the statute, between the Commonwealth and the participating railroads. The Authority believes that the likelihood that any such Master Agreement will be executed and Authority funds committed for double stack improvements within the next fiscal year is remote.

During fiscal year 2007, the Authority received as an agent $5.0 million from the Commonwealth of Massachusetts through the Department of Conservation and Recreation ("DCR") to fund a dredging project within Boston Harbor. The amount received from the Commonwealth of Massachusetts was recorded in restricted cash and accrued expenses as of June 30, 2007. During fiscal year 2008, these funds were paid to the escrow agent as required by the applicable agreements between the Authority and DCR. The Authority has no amounts reflected on its balance sheet related to these escrowed funds as of June 30, 2008.

Worcester Airport

On April 15, 1999, the Authority entered into a Memorandum of Understanding ("M.O.U.") with the City of Worcester, Massachusetts and the Worcester Airport Commission (the "City Parties"). The M.O.U. contemplates the takeover of the Worcester Regional Airport by the Authority in two separate phases. In compliance with Phase One, on January 15, 2000, the Authority assumed operating responsibility for Worcester Regional Airport pursuant to a separate Operating Agreement (the "OA"), which was amended in 2004.

I. Contingent Liabilities and Commitments, continued

The terms of the OA provide for the allocation of the net operating deficits for Worcester Regional Airport between the Authority and the City of Worcester, with the Authority assuming 100% of those net operating deficits during fiscal years 2005 and 2004. The OA was amended in 2004 to extend the term of the OA through June 30, 2007, and to allocate to the Authority responsibility for the following percentages of Worcester Regional Airport's operating deficit: for fiscal year 2005, 100%; for fiscal year 2006, 85%; for fiscal year 2007, 68%. On May 15, 2008, the Authority's Board approved an extension to the contract with the City of Worcester whereby the Authority would be responsible for 79% of the Worcester Regional Airport's operating deficit for the period July 1, 2007, through December 31, 2008; further extensions are likely. The Authority's portion of Worcester Regional Airport's actual deficits for fiscal year 2008 is approximately $1.8 million. The Authority's portion of the budget deficit for the six month extension in fiscal year 2009 is projected to be approximately $0.9 million and was accrued in fiscal year 2008. The entire projected loss for fiscal years 2005 - 2007 was accrued in fiscal year 2004. The actual deficits are adjusted each year.

Phase Two may involve the transfer of title of Worcester Regional Airport from the City Parties to the Authority. However, legislation would be required to effectuate such transfer. The Authority's goal is to develop a more effective and efficient regional airport network by increasing utilization of Worcester Regional Airport in conjunction with ongoing operation of its other airport facilities.

J. Payments in Lieu of Taxes

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements (collectively, the "PILOT Agreements") to make annual payments in lieu of taxes to Boston, Chelsea, and Winthrop.

In fiscal year 1992, the Authority's obligation to the City of Chelsea for annual in-lieu-of-tax payments through 2012 was satisfied by a payment of $5.0 million. The Authority and Chelsea amended their PILOT Agreement in fiscal year 1999 to provide for annual payments by the Authority to Chelsea of $0.5 million for each of the fiscal years 1999 through 2003, inclusive. In fiscal year 2006, this amendment was extended through fiscal year 2010 with annual payments increasing to $0.6 million commencing in fiscal year 2006.

In fiscal year 2006, the Authority and the Town of Winthrop entered into an Amended and Restated Payment-In-Lieu-Of-Taxes Agreement (the "Amended Winthrop PILOT Agreement") which extended the base in-lieu-of-tax payments through fiscal year 2025. The Amended Winthrop PILOT Agreement provides for the Authority to pay an annual payment of $0.9 million, provided that the annual payment will be adjusted in fiscal year 2016 through 2025 if the average annual percentage change in the consumer price index in fiscal year 2006 through 2015 is less than 2% or more than 8%.

In fiscal year 2006, the Authority and the City of Boston agreed to amend the existing payment-in-lieu-of-taxes agreement with the City of Boston, (the "Boston PILOT Agreement") effective July 1, 2005. Pursuant to the amended Boston PILOT Agreement (the "Amended Boston PILOT Agreement"), the term of the Boston PILOT Agreement was extended to June 30, 2015 subject to mutual rights to terminate the Amended PILOT Agreement each year after July 1, 2010. In fiscal year 2006, pursuant to the Amended Boston PILOT Agreement, the Authority paid to the City of

J. Payments in Lieu of Taxes, continued

Boston 1) a one-time payment of $3.5 million representing the sum withheld by the Authority from the City of Boston from the PILOT payments due with respect to fiscal year 2002 due to the Authority's financial recovery plan as a result of the events of September 11, 2001 and 2) an annual base amount (the "Base Amount") of $14.0 million. After July 1, 2007, the Amended Boston PILOT Agreement provides that the Authority shall make the following fiscal year payments: 1) the Base Amount which, commencing in fiscal year 2007, increases annually by the annual percentage change in the consumer price index, provided that such increase shall be no less than 2%, nor greater than 8%, per year, and 2) commencing with fiscal year 2007 for ten (10) years, an amount of $0.7 million which shall not be increased or adjusted.

The Authority's Enabling Act, the 1978 Trust Agreement and the PILOT Agreements provide that annual payments under the PILOT Agreements may not exceed the balance of revenues remaining after deposits to the payment of operating expenses, required deposits to the Interest and Sinking Fund and required deposits to the Maintenance Reserve Fund.

K. Litigation

The Authority is engaged in routine litigation as well as litigation involving the terrorist attacks of September 11, 2001.

Events of September 11, 2001

On September 11, 2001, terrorists hijacked American Airlines flight 11 and United Airlines flight 175 and flew them into the World Trade Center in New York, N.Y. The terrorist acts caused the deaths of approximately 3,000 persons, unknown numbers of personal injuries, and massive property damage. Both flights originated at Logan Airport.

In September 2001, Congress passed the Air Transportation Safety and System Stabilization Act of 2001, which provides, among other things, that victims who suffered physical injury or death as a result of the events of September 11, 2001 ("9/11") could file a claim with a newly created Victim Compensation Fund (the "Fund"). Those who sought such compensation waived the right to file a civil lawsuit. The Fund does not apply to claims for property damage, business interruption, or the like. Approximately 98% of claimants eligible for compensation from the Fund filed a claim with the Fund.

In November 2001, Congress passed the Aviation and Transportation Security Act ("ATSA"). The Act provides a limitation on liability of various entities, including airport sponsors such as the Authority, for the events of 9/11. Specifically, the liability of an airport sponsor for those events "shall not be in an amount greater than the limits of liability insurance coverage maintained by that . . . airport sponsor". The Authority has insurance in effect to cover these incidents in the amount of $500.0 million per occurrence and consequently, under ATSA the Authority's liability, if any, would be limited to such amounts. To the Authority's knowledge, the Authority's insurer has received copies of all complaints and Notices of Claim and/or any other form of notification to the Authority by an individual claiming to have suffered a loss.

Furthermore, to the Authority's knowledge, its insurer has agreed to defend any such claims and has not reserved its rights to deny coverage with respect to any of those claims although the insurer has reserved its rights with respect to (i) the number of occurrences, (ii) indemnification of the Authority against any award of punitive damages, and (iii) the Authority's rights as a

K. Litigation, continued

named additional insured under other policies of insurance, including policies of the Authority's tenants and licensees.

As of June 30, 2008, there were approximately three wrongful death lawsuits, two personal injury lawsuits, thirteen property damage lawsuits and four cross claims against the Authority and other defendants. A number of other wrongful death lawsuits against the Authority and other defendants have been settled. These settlements have been achieved without any financial contribution from the Authority or its insurer, even though the settling plaintiffs have provided the Authority with a release of all claims related to the events of 9/11. The parties to the remaining lawsuits have been engaged in active pre-trial discovery, and depositions have been taken of several of the Authority's current or former employees. The court has placed a deadline of December 31, 2008 for fact discovery.

The plaintiffs in the property damage lawsuits include, but are not limited to, the Port Authority of New York and New Jersey, owner of the World Trade Center complex (the "WTC"), World Trade Center Properties, LLC, the lessee of the WTC, and insurers for various businesses located in or around the WTC. The statute of limitations for any such lawsuits expired on September 11, 2004.

Absent the limitation of liability in ATSA, the amount of potential damages that could be awarded against the Authority if it were found liable in these lawsuits, based on the total amount of liability claimed, is an amount that would have a significant, materially adverse effect on the financial condition of the Authority. While the Authority cannot predict the outcome of any of these lawsuits or subsequent challenges, if any, to ATSA, it believes it has meritorious defenses to these actions and will continue to review and assess the various claims asserted.

Environmental Contamination

Historical contamination has also been discovered on various Authority properties located in South Boston. As the owner of the properties, the Authority is a "responsible party" under M.G.L. c.21E for costs of investigating and remediating the contamination at these sites. The full extent of the contamination and necessary remediation measures has not yet been determined; however, the costs could be material to the Authority's results of operations. In addition, the Authority has not yet determined whether and to what extent those costs may be recoverable from other parties responsible for the contamination.

Other Litigation

On April 7, 2008, the Authority was served with a complaint by a patent holder, alleging unspecified damages arising from patent infringement in connection with the Authority's parking garage ticketing and revenue control system. On May 15, 2008, the Authority received a demand letter, alleging past damages of approximately $28.0 million and potential damages of $37.0 million, with an offer to settle for a lesser amount. The Authority has denied infringement of the patent and has raised the affirmative defense of non-infringement, invalidity and unenforceability for reason of laches, and counterclaimed for a declaration that the patent is invalid and not infringed.

On July 13, 2008, the United States Patent and Trademark Office granted a request to reexamine the patent, agreeing that there is substantial question of patentability. On August 5, 2008, a

K. Litigation, continued

United States District Court granted the Authority's motion to stay the proceedings pending the outcome of the reexamination of the patent and administratively closed the case.

The Authority also is engaged in numerous matters of routine litigation. These matters include personal injury and property damage claims for which the Authority's liability is covered in whole or in part by insurance. Others include such matters as disputes with contractors, subcontractors, engineers and others arising out of construction and maintenance of the Authority's properties; disputes over leases and concessions; property, theft and damage claims arising from the Authority's operations, employment matters and workers compensation, as to which the Authority is self-insured. The Authority does not expect that these matters will require any amounts to be paid which, in the aggregate, will be material to the results of operations.

L. Leases

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates, including certain provisions for contingent payments based on a specified percentage of the tenant's gross revenue.

Minimum future rental incomes, excluding contingent rentals, from noncancelable operating leases as of June 30, 2008 are:

Fiscal Year	Amount (in thousands)	Continued Fiscal Year	Amount (in thousands)
2009	$ 66,861	2049 - 2053	$ 88,129
2010	60,220	2054 - 2058	92,635
2011	50,658	2059 - 2063	106,055
2012	49,528	2064 - 2068	121,606
2013	45,103	2069 - 2073	99,587
2014 - 2018	149,726	2074 - 2078	102,156
2019 - 2023	97,821	2079 - 2083	117,054
2024 - 2028	93,762	2084 - 2088	134,300
2029 - 2033	93,974	2089 - 2093	154,306
2034 - 2038	99,257	2094 - 2098	112,387
2039 - 2043	110,118	2099 - 2101	1,940
2044 - 2048	108,631		
		Total	$ 2,155,814

Rental income including contingent payments received under these provisions was approximately $231.8 million and $214.7 million for fiscal years 2008 and 2007, respectively.

L. Leases, continued

The Authority has also entered into operating leases as the lessee. The following is a schedule by years of future minimum rental payments under noncancelable operating leases as of June 30, 2008:

Fiscal Year	Amount (in thousands)
2009	$ 18,659
2010	15,640
2011	13,734
2012	13,734
2013	13,734
2014 - 2018	28,829
2019 - 2019	887
Total	$ 105,217

Rent expense was $25.2 million for fiscal years 2008 and 2007, respectively.

M. Interagency Agreements

Investment in Joint Venture

In May 1996, the Authority entered into an interagency agreement with the MHD and Massachusetts Bay Transportation Authority ("MBTA") for the construction of a Regional Transportation Center ("RTC") in Woburn, Massachusetts (the "Interagency Agreement"). Under the terms of the Interagency Agreement, the Authority has paid one third of the cost of acquiring the site and constructing the RTC, and will share in a like proportion in the profits and losses of the RTC, which was approximately $0.08 million and $0.06 million in fiscal year 2008 and 2007 respectively.

Logan Airport Silver Line Transportation Agreement

The Authority entered into an agreement with the Massachusetts Bay Transportation Authority ("MBTA") to provide public transportation between South Station in Boston, Massachusetts and Logan Airport along a route called the Silver Line. Pursuant to this agreement the Authority has purchased and accepted delivery of eight buses for a cost of $13.3 million.

In addition, the MBTA and the Authority have entered into a ten-year agreement ending on December 30, 2015. Under this agreement, the MBTA will operate and maintain the Authority's Silver Line buses for a cost of $2.0 million per year, paid in equal monthly installments. The MBTA will remit to the Authority a per passenger amount for each passenger loading at Logan Airport.

N. Self Insurance

The Authority, as mandated by the 1978 Trust Agreement, maintains a self insurance account for general liability and workers compensation within the Operating Fund. The self insurance accruals are determined based on insurance claim history and actuarial estimates needed to pay prior and current-year claims. The overall accrual was approximately $7.5 million and $7.6 million as of June 30, 2008 and 2007, respectively, and is included as a component of accrued expenses in the accompanying financial statements. This liability is fully funded as of June 30,

N. Self Insurance, continued

2008 and 2007. Changes in the accrued liability accounts in fiscal year 2008 and 2007 were as follows (in thousands):

	2008	2007
Beginning liability	$ 7,619	$ 5,973
Estimated claims and changes in estimates	5,259	5,953
Claim payments	(5,387)	(4,307)
Ending liability	$ 7,491	$ 7,619

O. Subsequent Events

On July 1, 2008, the Authority issued $38.0 million in Series 2008-C Bonds in order to refund portions of the Series 1997-C and the 1998-A Bonds. The aggregate difference in debt service between the refunded and the refunding debt service was $2.5 million. The average annual reduction in debt service for fiscal year 2009 through fiscal year 2020 exceeds approximately $0.2 million per year. The refunding had an economic gain and will achieve an estimated net present value savings of approximately $1.7 million or 4.5%. The Authority's bonds are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement.

In July 2008, the Authority made a payment to MHD of $10.4 million as required by the Roadway Transfer Agreement. Payment was funded through the proceeds of the Series 2008-A Bonds.

Massachusetts Port Authority
Supplemental Schedule of Combining Balance Sheet
June 30, 2008
(In Thousands)

	Authority Operations	Retiree Benefit Trust	PFC Program	Combined
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 48,650	$ -	$ -	$ 48,650
Investments	9,554	-	-	9,554
Restricted cash and cash equivalents	84,496	53,977	25,398	163,871
Restricted investments	86,351	-	13,906	100,257
Accounts receivable – net of allowance for doubtful accounts of $11,117 and $11,616 as of June 30, 2008 and 2007, respectively	31,154	-	1,029	32,183
Accounts receivable-grants	17,303	-	-	17,303
Prepaid expenses and other assets	5,535	-	752	6,287
Total current assets	283,043	53,977	41,085	378,105
NONCURRENT ASSETS				
Investments	112,980	-	-	112,980
Restricted investments	284,721	-	30,125	314,846
Prepaid expenses and other assets	19,808	-	2,040	21,848
Investment in joint venture	2,956	-	-	2,956
Intangible assets, net	35,467	-	-	35,467
Capital Assets	3,266,950	-	768,810	4,035,760
Less accumulated depreciation	(1,334,451)	-	(177,611)	(1,512,062)
Capital assets, net	1,932,499	-	591,199	2,523,698
Total noncurrent assets	2,388,431	-	623,364	3,011,795
TOTAL ASSETS	$ 2,671,474	$ 53,977	$ 664,449	$ 3,389,900

Massachusetts Port Authority
Supplemental Schedule of Combining Balance Sheet, Continued
June 30, 2008
(In Thousands)

	Authority Operations	Retiree Benefit Trust	PFC Program	Combined
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 61,258	$ -	$ 1,946	$ 63,204
Compensated absences	1,145	-	-	1,145
Retainage	3,448	-	89	3,537
Current maturities of bonds payable	52,044	-	16,051	68,095
Commercial notes payable	13,000	-	89,000	102,000
Accrued interest payable	30,757	-	6,256	37,013
Deferred income	5,959	-	-	5,959
Total current liabilities	167,611	-	113,342	280,953
NON-CURRENT LIABILITIES				
Accrued expenses	8,267	-	-	8,267
Compensated absences	21,748	-	-	21,748
Other Postemployment Benefits	-	10,168	-	10,168
Retainage	143	-	-	143
Long term bonds payable	1,305,400	-	212,913	1,518,313
Deferred income	11,406	-	-	11,406
Total noncurrent liabilities	1,346,964	10,168	212,913	1,570,045
TOTAL LIABILITIES	1,514,575	10,168	326,255	1,850,998
NET ASSETS				
Invested in capital assets, net of related debt	588,097	-	279,438	867,535
Restricted				
Bond funds	180,768	-	-	180,768
Project funds	168,120	-	-	168,120
Passenger facility charges	-	-	58,756	58,756
Other post-employment benefits	-	43,809	-	43,809
Other purposes	87,659	-	-	87,659
Total restricted	436,547	43,809	58,756	539,112
Unrestricted	132,255	-	-	132,255
TOTAL NET ASSETS	1,156,899	43,809	338,194	1,538,902
TOTAL LIABILITIES AND NET ASSETS	$ 2,671,474	$ 53,977	$ 664,449	$ 3,389,900

Massachusetts Port Authority
Supplemental Schedule of Combining Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008
(In Thousands)

	Authority Operations	Retiree Benefit Trust	PFC Program	Combined
Operating revenues:				
Fees, tolls and other services	$ 312,248	$ -	$ -	$ 312,248
Rentals	166,424	-	-	166,424
Concessions	65,414	-	-	65,414
Other	18,509	-	-	18,509
Operating grants	2,896	-	-	2,896
Total operating revenues	565,491	-	-	565,491
Operating expenses:				
Operations and maintenance	275,824	-	-	275,824
Administration	45,495	-	-	45,495
Insurance	8,548	-	-	8,548
Pension	1,006	-	-	1,006
Other post-employment benefits	9,147	6,703	-	15,850
Payments in lieu of taxes	17,108	-	-	17,108
Provision for uncollectible accounts	158	-	-	158
Depreciation and amortization	124,925	-	37,463	162,388
Total operating expenses	482,211	6,703	37,463	526,377
Operating income	83,280	(6,703)	(37,463)	39,114
Nonoperating revenues (expenses):				
OPEB fund transferred from I&E (net)	(50,500)	50,500	-	-
Passenger facility charges	-	-	53,740	53,740
Investment income	27,156	12	2,752	29,920
Net change in the fair value of investments	2,690	-	49	2,739
Other revenues	2,099	-	-	2,099
Settlement of Claims	84	-	-	84
Other expenses	(787)	-	(240)	(1,027)
Gain on sale of equipment	49	-	-	49
Interest expense	(66,685)	-	(14,177)	(80,862)
Total nonoperating revenue	(85,894)	50,512	42,124	6,742
Income before capital grant revenue	(2,614)	43,809	4,661	45,856
Capital grant revenue	41,818	-	-	41,818
Increase in net assets	39,204	43,809	4,661	87,674
Net assets, beginning of year	1,117,695	-	333,533	1,451,228
Net assets, end of year	$ 1,156,899	$ 43,809	$ 338,194	$ 1,538,902

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BOSTON LOGAN INTERNATIONAL AIRPORT 9/11 MEMORIAL

The Boston Logan International Airport 9/11 Memorial was dedicated on September 9, 2001. It is a place of reflection and remembrance for all those affected by the events of September 11, 2001. The Airport 9/11 Memorial honors the passengers and crews of American Airlines Flight 11 and United Airlines Flight 175, which departed Logan Airport that morning for Los Angeles. The Memorial also commemorates the dedication to duty of the Logan Airport community in restoring the aviation system to full operation and the contributions its members made toward comforting the families of the passengers and crew who were onboard those flights.

Statistical Section

This part of the Massachusetts Port Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note discloses, and required supplementary information says about the Authority's overall financial health.

Financial Trends:

These schedules present trend information on how the Authority's financial position changed overtime.

- S-1 Changes in Net Assets, and Net Assets by Component
- S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
- S-5 Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement

Revenue Capacity:

These schedules present trend information on what is the Authority's most significant revenue source.

- S-2 Most Significant Own-Source Revenues and Related Rates and Charges
- S-3 Historical Principal Operating Revenue Payers

Debt Capacity:

These schedules present information on what is the Authority's current levels of outstanding debt and the Authority’s ability to issue additional debt.

- S-6 Calculation of Debt Service Coverage and Debt Metrics Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement

Demographic and Economic Information:

These schedules provide demographic and economic indicators to help the reader understand the environment within the Authority’s financial activities take place.

- S-7 Largest Private Sector Employers
- S-8 Demographics and Employment Data

Operation and Others Information:

These schedules provide operating data to help the reader understand how the information in the Authority’s financial report relates to the services it provides and the activities it performs.

- S-9 Number of Employees by Facility
- S-16 Insurance Coverage
- S-17 Physical Asset Data

Other Information:

- S-10 Logan International Airport Traffic Metrics
- S-11 Logan International Airport Market Share of Total Passenger Traffic
- S-12 Logan International Airport Passenger Market
- S-13 Port of Boston Cargo and Passenger Activity
- S-14 Port of Boston Principal Customers
- S-15 Tobin Memorial Bridge Activity

Massachusetts Port Authority

Statistical Section

Revenues, Expenses and Changes in Net Assets
Fiscal Years Ended June 30, 1999 through June 30, 2008
(In Thousands)

S-1 Changes in Net Assets

	1999	2000	2001	2002	2003
Operating revenues					
Fees, tolls and other services	$ 170,839	$ 182,873	$ 187,357	$ 174,508	$ 214,116
Rentals	67,992	75,925	82,811	85,053	90,431
Concessions	46,461	46,315	45,495	42,741	46,829
Other	10,209	10,714	11,237	12,837	15,117
Operating grants	-	-	-	2,749	7,314
Total operating revenues	295,501	315,827	326,900	317,888	373,807
Operating expenses					
Operations and maintenance	$ 132,756	$ 135,468	$ 152,185	$ 155,510	$ 181,765
Administration	52,761	52,248	49,001	43,631	38,810
Insurance	4,234	2,313	2,880	4,332	8,685
Pension	1,533	-	-	-	-
Other post-employment benefits	1,696	1,806	1,964	2,350	3,004
Payments in lieu of taxes	13,465	12,031	13,093	12,209	12,559
Provision for uncollectible accounts	1,255	(100)	14	1,260	1,211
Depreciation and Amortization (1)	65,672	75,706	71,389	81,596	102,388
Total operating expenses	273,372	279,472	290,526	300,888	348,422
Operating income	22,129	36,355	36,374	17,000	25,385
Nonoperating revenues					
Passenger facility charges (2)	35,327	36,815	36,324	29,445	29,090
Investment income	20,931	25,220	28,982	19,795	11,486
Net gain in change in the fair value of investments	-	-	-	-	-
Other revenues	-	-	-	-	-
Gain on sales of assets	-	139	1,664	17	31
Settlement of claims	-	-	-	-	-
Total nonoperating revenues	56,258	62,174	66,970	49,257	40,607
Nonoperating expenses					
Interest expense	30,758	34,323	35,734	40,642	45,806
Loss from sale of equipment	98	-	-	-	-
Termination of interest rate swap	-	-	-	-	-
Net loss in change in the fair value of investments	-	-	-	-	-
Other expense / arbitrage	-	-	-	-	3,962
Total nonoperating expenses	30,856	34,323	35,734	40,642	49,768
Total nonoperating revenues (expenses)	25,402	27,851	31,236	8,615	(9,161)
Income before capital grant revenue	47,531	64,206	67,610	25,615	16,224
Capital grant revenue	9,342	9,744	12,851	15,450	43,994
Change in net assets	56,873	73,950	80,461	41,065	60,218
Net assets, beginning of year	821,273	878,146	952,096	1,032,557	1,073,622
Net assets, end of year	$ 878,146	$ 952,096	$ 1,032,557	$ 1,073,622	$ 1,133,840
Total net assets composed of:					
Invested in capital assets, net of debt	*	*	*	615,048	701,423
Restricted	*	*	*	402,888	378,268
Unrestricted	*	*	*	55,686	54,149
Total Net Assets (3)	$ 878,146	$ 952,096	$ 1,032,557	$ 1,073,622	$ 1,133,840

(1) Prior to FY2000 depreciation and amortization were treated as nonoperating expenses in the Authority's financial statements.

(2) PFC accrued revenue exclusive of PFC interest earnings.

(3) Net assets breakdown data are not available prior to the implementation of GASB Statement No. 34.

Source: Massport's audited financial statements.

Massachusetts Port Authority

Statistical Section

Revenues, Expenses and Changes in Net Assets, Con't
Fiscal Years Ended June 30, 1999 through June 30, 2008
(In Thousands)

S-1 Changes in Net Assets

	2004	2005	2006	2007	2008
Operating revenues					
Fees, tolls and other services	$ 236,287	$ 249,323	$ 268,723	$ 290,679	$ 312,248
Rentals	115,225	139,731	154,991	158,848	166,424
Concessions	45,054	49,923	53,678	55,826	65,414
Other	13,539	16,147	16,752	18,500	18,509
Operating grants	4,859	5,454	3,490	2,976	2,896
Total operating revenues	414,964	460,578	497,634	526,829	565,491
Operating expenses					
Operations and maintenance	$ 201,394	$ 211,905	$ 236,359	$ 252,905	$ 275,824
Administration	39,422	43,005	42,126	43,094	45,495
Insurance	10,234	11,221	6,632	10,689	8,548
Pension	1,834	2,141	3,715	3,140	1,006
Other post-employment benefits	3,672	4,018	4,527	5,139	15,850
Payments in lieu of taxes	12,419	12,028	15,771	16,732	17,108
Provision for uncollectible accounts	573	320	2,609	(2,256)	158
Depreciation and Amortization (1)	111,726	136,007	142,071	157,550	162,388
Total operating expenses	381,274	420,645	453,810	486,993	526,377
Operating income	33,690	39,933	43,824	39,836	39,114
Nonoperating revenues					
Passenger facility charges (2)	32,845	35,316	48,324	57,504	53,740
Investment income	10,239	13,456	20,648	26,845	29,920
Net gain in change in the fair value of investments	-	-	-	1,812	2,739
Other revenues	-	-	351	-	2,099
Gain on sales of assets	9	60	102	45	49
Settlement of claims	1,000	3,354	438	200	84
Total nonoperating revenues	44,093	52,186	69,863	86,406	88,631
Nonoperating expenses					
Interest expense	59,665	64,620	69,601	76,860	80,862
Loss from sale of equipment	-	-	-	-	-
Termination of interest rate swap	-	-	-	-	-
Net loss in change in the fair value of investments	-	-	2,870	-	-
Other expense / arbitrage	176	230	2,780	382	1,027
Total nonoperating expenses	59,841	64,850	75,251	77,242	81,889
Total nonoperating revenues (expenses)	(15,748)	(12,664)	(5,388)	9,164	6,742
Income before capital grant revenue	17,942	27,269	38,436	49,000	45,856
Capital grant revenue	90,115	47,709	36,209	10,708	41,818
Change in net assets	108,057	74,978	74,645	59,708	87,674
Net assets, beginning of year	1,133,840	1,241,897	1,316,875	1,391,520	1,451,228
Net assets, end of year	$ 1,241,897	$ 1,316,875	$ 1,391,520	$ 1,451,228	$ 1,538,902
Total net assets composed of:					
Invested in capital assets, net of debt	772,532	772,931	814,180	901,516	867,535
Restricted	402,599	467,014	495,974	405,157	539,112
Unrestricted	66,766	76,930	81,366	144,555	132,255
Total Net Assets (3)	$ 1,241,897	$ 1,316,875	$ 1,391,520	$ 1,451,228	$ 1,538,902

(1) Prior to FY2000 depreciation and amortization were treated as nonoperating expenses in the Authority's financial statements.

(2) PFC accrued revenue exclusive of PFC interest earnings.

(3) Net assets breakdown data are not available prior to the implementation of GASB Statement No. 34.

Source: Massport's audited financial statements.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 1999 through June 30, 2008

S-2 Principal Revenues and Rates as of June 30th

	1999	2000	2001	2002	2003
Logan Airport Revenues (in thousands)					
Landing Fees	$ 51,990	$ 52,930	$ 56,141	$ 49,656	$ 68,969
Terminal Rentals and Fees	37,689	40,328	40,879	41,771	47,109
Parking Fees	63,931	71,108	73,269	64,007	75,381
Logan Airport Rates and Charges					
Landing Fee (per 1,000 lbs)	$ 2.14	$ 2.14	$ 2.21	$ 2.35	$ 3.76
Terminal Rental Rates (per square foot - annual rate)					
Terminal A (closed May 2002)	$ 56.25	$ 67.06	$ 68.26	$ 86.36	
Terminal A (opened March 2005)					
Terminal B	$ 84.69	$ 90.91	$ 88.80	$ 88.80	$ 48.04
Terminal C - Main Terminal	$ 68.31	$ 73.26	$ 76.52	$ 84.18	$ 82.13
Terminal E - Type 3 Space	$ 58.99	$ 58.24	$ 63.26	$ 74.20	$ 81.28
Baggage Fee (per checked bag)					
Terminal E Passenger Fees (per passenger)					
Inbound International	$ 4.50	$ 3.84	$ 3.84	$ 4.79	$ 6.98
Outbound	$ 1.61	$ 1.42	$ 0.78	$ 1.34	$ 1.89
Inbound Domestic	$ 0.48	$ 0.37	$ 0.26	$ 0.32	$ 0.39
Common Use Check-in Fee					
Central Parking Garage (maximum 24 hours)	$ 18.00	$ 18.00	$ 18.00	$ 22.00	$ 22.00

Source: Authority reports

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Most Significant Own-Source Revenues and Related Rates and Charges, Con't
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-2 Principal Revenues and Rates as of June 30th

	2004	2005	2006	2007	2008
Logan Airport Revenues (in thousands)					
Landing Fees	$ 75,050	$ 69,929	$ 76,743	$ 82,241	$ 87,065
Terminal Rentals and Fees	66,196	85,843	102,967	103,193	107,260
Parking Fees	88,169	93,014	92,324	99,407	110,602
Logan Airport Rates and Charges					
Landing Fee (per 1,000 lbs)	$ 3.58	$ 3.07	$ 3.89	$ 4.20	$ 4.41
Terminal Rental Rates (per square foot - annual rate)					
Terminal A (closed May 2002)					
Terminal A (opened March 2005)		$ 75.20	$ 57.45	$ 80.51	$ 87.43
Terminal B	$ 75.12	$ 80.58	$ 83.76	$ 87.91	$ 95.91
Terminal C - Main Terminal	$ 97.93	$ 102.87	$ 107.17	$ 108.79	$ 110.17
Terminal E - Type 3 Space	$ 92.05	$ 119.46	$ 121.43	$ 117.91	$ 117.49
Baggage Fee (per checked bag)	$ 0.48	$ 1.08	$ 0.92	$ 0.99	$ 1.15
Terminal E Passenger Fees (per passenger)					
Inbound International	$ 7.33	$ 7.41	$ 8.42	$ 11.63	$ 13.31
Outbound	$ 1.85	$ 1.61	$ 3.18	$ 2.85	$ 2.79
Inbound Domestic	$ 0.39	$ 0.37	$ 1.09	$ 1.08	$ 1.07
Common Use Check-in Fee	$ 5.62	$ 7.56	$ 8.41	$ 8.51	$ 9.06
Central Parking Garage (maximum 24 hours)	$ 22.00	$ 22.00	$ 22.00	$ 24.00	$ 24.00

Source: Authority reports

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Historical Principal Operating Revenue Payers
Current Year and Nine Years Ago
(In Thousands)

S-3 Principal Operating Revenue Payers

Landing Fee Revenue	For the Fiscal Year Ended June 30, 2008			For the Fiscal Year Ended June 30, 1999		
Customer	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees
US AIRWAYS, INC.	$ 11,331	1	13.01%	$ 6,454	2	12.41%
AMERICAN AIRLINES	10,891	2	12.51%	6,402	3	12.31%
JETBLUE AIRWAYS	9,953	3	11.43%	-	-	0.00%
DELTA AIRLINES	9,462	4	10.87%	8,344	1	16.05%
UNITED AIRLINES, INC.	6,919	5	7.95%	5,119	4	9.85%
AIRTRAN AIRLINES	3,910	6	4.49%	644	15	1.24%
NORTHWEST AIRLINES	3,833	7	4.40%	2,694	5	5.18%
CONTINENTAL AIRLINES	3,284	8	3.77%	2,548	6	4.90%
FEDERAL EXPRESS CORP.	2,811	9	3.23%	1,325	10	2.55%
COMAIR INC.	2,628	10	3.02%	16	54	0.03%
BUSINESS EXPRESS	-	-	0.00%	2,189	7	4.21%
US AIRWAYS SHUTTLE	-	-	0.00%	1,800	8	3.46%
SIGNATURE FLIGHT SUPPORT	1,836	13	2.11%	1,367	9	2.63%
ALL OTHER PAYERS	20,207		23.21%	13,088		25.17%
Total Landing Fees	**$ 87,065**		**100.00%**	**$ 51,990**		**100.00%**

Terminal Rents and Fees	For the Fiscal Year Ended June 30, 2008			For the Fiscal Year Ended June 30, 1999		
Customer	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees
DELTA AIRLINES	$ 14,393	1	13.42%	$ 6,794	1	18.03%
AMERICAN AIRLINES	14,106	2	13.15%	1,201	10	3.19%
US AIRWAYS, INC.	10,563	3	9.85%	303	22	0.80%
NORTHWEST AIRLINES	8,436	4	7.87%	1,735	7	4.60%
JETBLUE AIRWAYS	7,393	5	6.89%	-	-	0.00%
BRITISH AIRWAYS	6,730	6	6.27%	2,608	4	6.92%
UNITED AIRLINES, INC.	6,287	7	5.86%	4,273	3	11.34%
LUFTHANSA GERMAN AIRLINES	4,668	8	4.35%	1,202	9	3.19%
AER LINGUS	4,285	9	3.99%	1,097	11	2.91%
AIR FRANCE	3,950	10	3.68%	193	25	0.51%
CONTINENTAL AIRLINES	3,666	11	3.42%	2,337	5	6.20%
SOUTH TERMINAL CORP.	620	24	0.58%	5,021	2	13.32%
HUDSON GENERAL LLC	-	-	0.00%	1,869	6	4.96%
TRANS WORLD AIRLINES	-	-	0.00%	1,405	8	3.73%
ALL OTHER PAYERS	22,163		20.66%	7,651		20.30%
Total Terminal Rental and Fees	**$ 107,260**		**100.00%**	**$ 37,689**		**100.00%**

Parking Revenue	For the Fiscal Year Ended June 30, 2008			For the Fiscal Year Ended June 30, 1999		
Customer	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue
PUBLIC PARKING AT AIRPORT	$ 100,964		91.29%	$ 56,886	1	88.98%
TENANT EMPLOYEE PARKING	6,168		5.58%	4,527	2	7.08%
PUBLIC OFF-AIRPORT PARKING	3,470		3.14%	2,518	3	3.94%
Total Parking Revenue	**$ 110,602**		**100.00%**	**$ 63,931**		**100.00%**

Source: Massport's accounting reports

Massachusetts Port Authority

Statistical Section

Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
Fiscal Years Ended June 30, 1999 through June 30, 2008
(In Thousands)

S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses

	1999	2000	2001	2002	2003
Operating Revenue:					
Per Financial Statements	$ 295,501	$ 315,827	$ 326,900	$ 317,888	$ 373,807
Adjustments:					
Provision for uncollectible accounts	(1,255)	100	(14)	(1,260)	(1,211)
Other	1	-	-	-	(6,880)
Operating Revenue:					
Per the 1978 Trust Agreement	294,247	315,927	326,886	316,628	365,716
Income on Investments:					
Per Financial Statements	20,931	25,220	28,982	19,795	11,486
Adjustments:					
PFC - Trust Agreement	(3,021)	(5,948)	(5,345)	(4,045)	(2,159)
Self Insurance and Other Accounts	(1,375)	(1,524)	(2,033)	(2,791)	(1,365)
Income on Investments:					
Per the 1978 Trust Agreement	16,535	17,748	21,604	12,959	7,962
TOTAL REVENUES					
Per the 1978 Trust Agreement	**310,782**	**333,675**	**348,490**	**329,587**	**373,678**
Operating Expenses:					
Per Financial Statements	$273,372	$279,472	$290,526	$300,888	$348,422
Adjustments:					
Insurance	(1,676)	141	10	(905)	358
Pension Adjustments	-	-	-	-	-
Payments in Lieu of Taxes	(13,465)	(12,031)	(13,093)	(12,209)	(12,559)
Provision for uncollectible accounts	(1,255)	100	(14)	(1,260)	(1,211)
Depreciation and Amortization	(65,672)	(75,706)	(71,389)	(81,597)	(102,388)
Other post-employment benefits	-	-	-	-	-
Other Expenses	(3,288)	(250)	(1,096)	(1,451)	(1,923)
Other Expense / State Police Details	-	-	-	-	(6,880)
Administration Expenses	-	-	-	-	-
TOTAL EXPENSES					
Per the 1978 Trust Agreement	**188,016**	**191,726**	**204,944**	**203,466**	**223,819**
Net Revenue:					
Per the 1978 Trust Agreement	**$ 122,766**	**$ 141,949**	**$ 143,546**	**$ 126,121**	**$ 149,859**

(1) Column does not add due to rounding.
(2) Fiscal year 2004 data have been reclassified to conform with the Fiscal year 2005 presentation.

Source: Massport's audited financial statements.

Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses, Con't
Fiscal Years Ended June 30, 1999 through June 30, 2008
(In Thousands)

S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses

	2004	2005	2006	2007	2008
Operating Revenue:					
Per Financial Statements	$ 414,964	$ 460,578	$ 497,634	$ 526,829	$ 565,491
Adjustments:					
Provision for uncollectible accounts	(573)	(320)	(2,609)	2,256	(158)
Other	-	-	-		
Operating Revenue:					
Per the 1978 Trust Agreement	414,391	460,258	495,025	529,085	565,333
Income on Investments:					
Per Financial Statements	10,239	13,456	20,648	26,845	29,920
Adjustments:					
PFC - Trust Agreement	(2,158) (2)	(2,044)	(2,736)	(2,429)	(2,753)
Self Insurance and Other Accounts	(1,513) (2)	(1,924)	(2,566)	(3,432)	(3,164)
Income on Investments:					
Per the 1978 Trust Agreement	6,568	9,488	15,346	20,984	24,003
TOTAL REVENUES					
Per the 1978 Trust Agreement	**420,959**	**469,746**	**510,371**	**550,069**	**589,336**
Operating Expenses:					
Per Financial Statements	$381,274	$420,645	$453,810	$486,993	$526,377
Adjustments:					
Insurance	(1,610)	(2,195)	1,074	(2,583)	(824)
Pension Adjustments	-	-	-	-	-
Payments in Lieu of Taxes	(12,419)	(12,028)	(15,771)	(16,732)	(17,108)
Provision for uncollectible accounts	(573)	(320)	(2,609)	2,256	(158)
Depreciation and Amortization	(111,726)	(136,007)	(142,071)	(157,550)	(162,388)
Other post-employment benefits	-	-	-	-	(6,702)
Other Expenses	(12,666)	(2,391)	(1,515)	(826)	(2,315)
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses	1,000	2,000	1,000	1,000	-
TOTAL EXPENSES					
Per the 1978 Trust Agreement	**243,281** (1)	**269,704**	**293,918**	**312,558**	**336,882**
Net Revenue:					
Per the 1978 Trust Agreement	**$ 177,678**	**$ 200,042**	**$ 216,453**	**$ 237,511**	**$ 252,454**

(1) Column does not add due to rounding.
(2) Fiscal year 2004 data have been reclassified to conform with the Fiscal year 2005 presentation.

Source: Massport's audited financial statements.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and
Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement
Fiscal Years Ended June 30, 1999 through June 30, 2008
(In Thousands)

S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement

1978 Trust Agreement	**1999**	**2000**	**2001**	**2002**	**2003**
Revenues:					
Airport Properties - Logan					
Landing Fees	$ 51,990	$ 52,930	$ 56,141	$ 49,656	$ 68,969
Parking Fees	63,931	71,108	73,269	64,007	75,381
Utility Fees	11,874	12,488	14,170	13,731	13,577
Terminal Rentals	37,689	40,328	40,879	41,771	47,109
Non-Terminal Building and Ground Rents	22,444	26,264	29,949	29,851	30,269
Concessions	44,462	44,190	44,370	41,371	45,949
Other	10,062	10,863	11,236	15,275	14,912
	242,452	258,171	270,014	255,662	296,166
Airport Properties - Hanscom	2,943	3,579	4,073	4,949	4,093
Total Airport Properties	245,395	261,750	274,087	260,611	300,259
Port Properties					
Maritime Operations	30,098	34,689	32,155	31,562	35,056
Business Development	7,107	7,279	7,454	7,019	8,055
Maritime Real Estate (3)	-	-	-	-	-
	37,205	41,968	39,609	38,581	43,111
Bridge	11,647	12,209	13,190	17,436	22,346
Total Operating Revenue	294,247	315,927	326,886	316,628	365,716
Investment Income (1)	16,535	17,748	21,604	12,959	7,962
Total Revenues	310,782	333,675	348,490	329,587	373,678
Operating Expenses (2):					
Airport Properties					
Logan	136,400	139,896	153,010	150,610	163,779
Hanscom	3,133	3,394	4,040	3,910	4,642
	139,533	143,290	157,050	154,520	168,421
Port Properties					
Maritime Operations	34,626	34,720	33,420	34,054	40,067
Business Development	6,642	6,413	6,822	7,041	6,620
Maritime Real Estate (3)					
	41,268	41,133	40,242	41,095	46,687
Bridge	7,215	7,303	7,652	7,852	8,711
Total Operating Expenses	188,016	191,726	204,944	203,467	223,819
Net Revenue	$ 122,766	$ 141,949	$ 143,546	$ 126,120	$ 149,859
1999 PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (6)	$ 35,327	$ 36,815	$ 36,324	$ 29,445	$ 29,090
PFC Investment Income	2,558	4,483	3,901	2,652	771
Net PFC Revenue	$ 37,885	$ 41,298	$ 40,225	$ 32,097	$ 29,861

(1) Excludes investment income earned by and deposited into Construction and PFC Funds.
(2) Includes allocation of all operating expenses related to Authority General Administration.
(3) As part of a reorganization of the Authority the Port Business Development Department has been transferred to the Maritime Department in fiscal year 2004.
(4) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.
(5) Beginning in fiscal year 2004 Logan Airport uncollectible accounts have been included in Logan Other Revenue.
(6) PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued on June 16, 1999.
(7) The substantial increase in net PFC collections in FY2006 reflects the increase in the authorized PFC level to $4.50 per passenger from $3.00 effective October 1, 2005.

Source: Massport's accounting reports

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and
Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement, Con't
Fiscal Years Ended June 30, 1999 through June 30, 2008
(In Thousands)

S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement

1978 Trust Agreement	**2004**	**2005**	**2006**	**2007**	**2008**
Revenues:					
Airport Properties - Logan					
Landing Fees	$ 75,050	$ 69,929	$ 76,743	$ 82,241	$ 87,065
Parking Fees	88,169	93,014	92,324	99,407	110,602
Utility Fees	12,407	15,696	21,690	25,257	26,562
Terminal Rentals	66,196	85,843	102,967	103,193	107,260
Non-Terminal Building and Ground Rents	31,905	36,133	34,699	34,510	35,063
Concessions	43,870	48,195	51,948	53,724	63,058
Other	17,501 (5)	19,485	16,232	21,765	20,208
	335,098	368,295	396,603	420,097	449,818
Airport Properties - Hanscom	5,646	6,219	7,167	8,911	10,063
Total Airport Properties	340,744	374,514	403,770	429,008	459,881
Port Properties					
Maritime Operations	35,687	42,247	46,588	48,708	54,107
Business Development	-	-	-		
Maritime Real Estate (3)	13,931	15,947	16,394	20,030	20,783
	49,618	58,194	62,982	68,738	74,890
Bridge	24,029	27,550	28,273	31,339	30,562
Total Operating Revenue	414,391 (4)	460,258	495,025	529,085	565,333
Investment Income (1)	6,568	9,488	15,346	20,984	24,003
Total Revenues	420,959	469,746	510,371	550,069	589,336
Operating Expenses (2):					
Airport Properties					
Logan	179,970	198,380	218,674	232,418	247,026
Hanscom	4,952	6,468	7,096	7,765	9,301
	184,922	204,848	225,770	240,183	256,327
Port Properties					
Maritime Operations	37,589	42,006	45,151	47,415	52,616
Business Development					
Maritime Real Estate (3)	11,198	13,195	13,464	14,597	15,611
	48,787	55,201	58,615	62,012	68,227
Bridge	9,572	9,655	9,533	10,363	12,328
Total Operating Expenses	243,281 (4)	269,704	293,918	312,558	336,882
Net Revenues	$ 177,678	$ 200,042	$ 216,453	$ 237,511	$ 252,454
1999 PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (6)	$ 32,845	$ 35,316	$ 48,324 (7)	$ 57,504	$ 53,740
PFC Investment Income	607	621	1,265	938	1,006
Net PFC Revenue	$ 33,452	$ 35,937	$ 49,589	$ 58,442	$ 54,746

(1) Excludes investment income earned by and deposited into Construction and PFC Funds.
(2) Includes allocation of all operating expenses related to Authority General Administration.
(3) As part of a reorganization of the Authority the Port Business Development Department has been transferred to the Maritime Department in fiscal year 2004.
(4) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.
(5) Beginning in fiscal year 2004 Logan Airport uncollectible accounts have been included in Logan Other Revenue.
(6) PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued on June 16, 1999.
(7) The substantial increase in net PFC collections in FY2006 reflects the increase in the authorized PFC level to $4.50 per passenger from $3.00 effective October 1, 2005.

Source: Massport's accounting reports

MASSACHUSETTS PORT AUTHORITY
Statistical Section

Calculation of Debt Service Coverage and Debt Metrics
Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement
Fiscal Years Ended June 30, 1999 through June 30, 2008
(In Thousands - except coverage and per passenger calculations)

S-6 Debt Service Coverage and Debt Metrics

	1999	2000	2001	2002	2003
1978 Trust Agreement					
Net Revenue	$ 122,766	$ 141,949	$ 143,546	$ 126,120	$ 149,859
Debt Service - Principal	19,460	19,175	23,590	27,290	29,185
Debt Service - Interest	44,387	49,620	50,603	49,369	47,473
Credits to Debt Service (1)	(6,891)	(11,351)	(9,228)	(6,948)	(2,570)
Annual Debt Service	$ 56,956	$ 57,444	$ 64,965	$ 69,711	$ 74,089
Debt Service Coverage	2.16	2.47	2.21	1.81	2.02
1999 PFC Trust Agreement					
Net PFC Revenue (2)	$ 37,885	$ 41,298	$ 40,225	$ 32,097	$ 29,861
Debt Service - Principal	-	-	8,860	9,205	9,585
Debt Service - Interest	-	13,740	12,683	12,342	11,960
Credits to Debt Service (3)	-	(10,604)	(9,904)	(7,402)	(3,841)
Annual Debt Service	$ -	$ 3,136	$ 11,639	$ 14,145	$ 17,704
Debt Service Coverage (5)	NA	13.17	3.46	2.27	1.69
Debt Metrics (4)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	$ 4.30	$ 4.16	$ 4.76	$ 6.32	$ 6.59
1978 Trust Agreement Bonds Outstanding	$ 807,335	$ 936,240	$ 986,650	$ 959,360	$ 1,195,175
1978 Trust Agreement Bonds per enplaned passenger	$ 60.93	$ 67.84	$ 72.24	$ 87.01	$ 106.24
1999 PFC Trust Agreement Debt Service per enplaned passenger	$ -	$ 0.23	$ 0.85	$ 1.28	$ 1.57
1999 PFC Trust Agreement Bonds Outstanding	$ 249,355	$ 249,355	$ 240,495	$ 231,290	$ 221,705
1999 PFC Trust Agreement Bonds per enplaned passenger	$ 18.82	$ 18.07	$ 17.61	$ 20.98	$ 19.71
Total annual Debt Service per enplaned passenger	$ 4.30	$ 4.39	$ 5.61	$ 7.61	$ 8.16
Total outstanding Bonds per enplaned passenger	$ 79.75	$ 85.91	$ 89.84	$ 107.98	$ 125.94

(1) Consists of bond proceeds in the form of Capitalized Interest, investment earnings on the Construction Funds and investment earnings on a synthetic variable rate refunding from FY2003 to FY2006.

(2) The substantial increase in net PFC collections in FY2006 reflects an increase in the PFC to $4.50 per passenger, from $3.00 effective October 1, 2005. PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued June 16, 1999.

(3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and non-PFC investment income on the PFC Debt Service Funds.

(4) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

(5) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the $3.00 PFC level. Debt Service Coverage for fiscal years 2006 and 2007 reflect the pledge of revenue at the $4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first $4.50 of PFCs, rather than the first $3.00 of PFCs, was approved by Massport's Board on May 17, 2007.

Source: Massport's accounting reports

MASSACHUSETTS PORT AUTHORITY
Statistical Section

Calculation of Debt Service Coverage and Debt Metrics
Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement, Con't
Fiscal Years Ended June 30, 1999 through June 30, 2008
(In Thousands - except coverage and per passenger calculations)

S-6 Debt Service Coverage and Debt Metrics

	2004	2005	2006	2007	2008
1978 Trust Agreement					
Net Revenue	$ 177,678	$ 200,042	$ 216,453	$ 237,511	$ 252,454
Debt Service - Principal	33,185	35,210	41,575	45,465	48,140
Debt Service - Interest	56,104	48,088	65,216	60,018	61,767
Credits to Debt Service (1)	(8,593)	(6,492)	(13,858)	(7,057)	-
Annual Debt Service	$ 80,696	$ 76,806	$ 92,934	$ 98,426	$ 109,907
Debt Service Coverage	2.20	2.60	2.33	2.41	2.30
1999 PFC Trust Agreement					
Net PFC Revenue (2)	$ 33,452	$ 35,937	$ 49,589	$ 58,442	$ 54,746
Debt Service - Principal	9,995	10,425	10,945	11,435	15,540
Debt Service - Interest	11,553	11,118	10,601	8,374	11,771
Credits to Debt Service (3)	(895)	(1,329)	(1,305)	(1,318)	(2,153)
Annual Debt Service	$ 20,652	$ 20,213	$ 20,241	$ 18,490	$ 25,158
Debt Service Coverage (5)	1.62	1.78	2.45	3.16	2.18
Debt Metrics (4)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	$ 6.60	$ 5.74	$ 6.80	$ 7.10	$ 8.07
1978 Trust Agreement Bonds Outstanding	$ 1,161,990	$ 1,348,045	$ 1,306,370	$ 1,314,700	$ 1,292,940
1978 Trust Agreement Bonds per enplaned passenger	$ 94.97	$ 100.74	$ 95.62	$ 94.80	$ 94.97
1999 PFC Trust Agreement Debt Service per enplaned passenger	$ 1.69	$ 1.51	$ 1.48	$ 1.33	$ 1.85
1999 PFC Trust Agreement Bonds Outstanding	$ 211,710	$ 201,285	$ 190,340	$ 224,850	$ 209,310
1999 PFC Trust Agreement Bonds per enplaned passenger	$ 17.30	$ 15.04	$ 13.93	$ 16.21	$ 15.37
Total annual Debt Service per enplaned passenger	$ 8.28	$ 7.25	$ 8.28	$ 8.43	$ 9.92
Total outstanding Bonds per enplaned passenger	$ 112.27	$ 115.79	$ 109.56	$ 111.02	$ 110.35

(1) Consists of bond proceeds in the form of Capitalized Interest, investment earnings on the Construction Funds and investment earnings on a synthetic variable rate refunding from FY2003 to FY2006.

(2) The substantial increase in net PFC collections in FY2006 reflects an increase in the PFC to $4.50 per passenger, from $3.00 effective October 1, 2005. PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued June 16, 1999.

(3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and non-PFC investment income on the PFC Debt Service Funds.

(4) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

(5) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the $3.00 PFC level. Debt Service Coverage for fiscal years 2006 and 2007 reflect the pledge of revenue at the $4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first $4.50 of PFCs, rather than the first $3.00 of PFCs, was approved by Massport's Board on May 17, 2007.

Source: Massport's accounting reports

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Massachusetts Port Authority

Statistical Section

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Largest Private Sector Employers
(Listed in alphabetical order)

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S-7 Massachusetts' Largest Employers

Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital
Beth Israel Deaconess Medical Center	Boston	Hospital
Boston Medical Center Corporation	Boston	Hospital
Boston University	Boston	University
Brigham and Women's Hospital, Inc.	Boston	Hospital
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket
EMC Corporation	Hopkinton	Computer Storage & Peripherals
Friendly Ice Cream Corporation	Wilbraham	Restaurants
General Hospital Corporation	Boston	Hospital
Massachusetts Institute of Technology	Cambridge	University
New England Medical Center	Boston	Hospital
President and Fellows of Harvard College	Boston	University
Raytheon Company	Lexington	Electronics / Defense
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
Southcoast Hospitals Group	New Bedford	Hospital
State Street Corp.	Boston	Banking
The Children's Hospital Corporation	Boston	Hospital
UMASS Memorial Medical Center, Inc.	Worcester	Hospital
Verizon New England, Inc.	Boston	Telecommunications

Sources: - Massachusetts Department of Unemployment Assistance- March 2007 survey. In addition, Bank of America NA, Federated Retail Holdings, Inc, Home Depot USA, Inc., International Business Machines Corporation, S&S Credit Company, Inc., United Parcel Service, Inc and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York.

Massachusetts Port Authority
Statistical Section

Demographics and Employment Data
Calendar Years Ended 1998 through 2007

S-8 Demographics and Employment Data

Boston Metropolitan Statistical Area (1)	**1998**	**1999**	**2000**	**2001**	**2002**
Population	4,337,751	4,369,743	4,402,652	4,442,981	4,456,292
Total personal income (in millions)	$152,738	$162,637	$182,380	$188,442	$188,434
Per capita personal income	$35,211	$37,219	$41,433	$42,440	$42,325
Unemployment rate (annual average)	3.1%	3.0%	2.6%	3.6%	5.3%
Employment By Industry					
Industry Type (In thousands)					
Educational and Health Services	409.8	408.0	407.1	411.6	421.5
Trade, Transportation and Utilities	430.5	441.5	449.6	444.6	433.1
Professional and Business Services	374.5	393.2	417.2	409.6	382.5
Government	289.7	295.3	301.5	303.0	301.5
Manufacturing	303.2	294.0	297.2	286.0	255.6
Leisure and Hospitality	189.8	194.4	196.7	198.5	203.0
Financial Activities	184.5	189.2	191.7	195.5	191.9
Construction	80.3	88.4	96.7	103.1	104.1
Other Services	81.0	82.5	84.4	86.1	87.0
Information	82.4	86.3	95.9	95.8	84.5
Total	2,425.7	2,472.8	2,538.0	2,533.8	2,464.7

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor

Massachusetts Port Authority
Statistical Section

Demographics and Employment Data, Con't
Calendar Years Ended 1998 through 2007

S-8 Demographics and Employment Data

Boston Metropolitan Statistical Area (1)	**2003**	**2004**	**2005**	**2006**	**2007**
Population	4,456,462	4,453,867	4,454,814	4,465,674	4,482,857
Total personal income (in millions)	$190,708	$201,089	$211,565	$225,705	$241,012
Per capita personal income	$42,835	$45,195	$47,491	$50,542	$53,763
Unemployment rate (annual average)	5.7%	5.0%	4.5%	4.6%	4.1%
Employment By Industry					
Industry Type (In thousands)					
Educational and Health Services	425.3	430.9	437.8	449.5	463.9
Trade, Transportation and Utilities	426.4	423.0	421.2	419.7	419.1
Professional and Business Services	368.0	376.4	386.0	396.7	408.3
Government	297.4	293.1	294.9	297.2	299.1
Manufacturing	237.6	230.3	226.5	223.3	222.0
Leisure and Hospitality	203.9	206.3	208.7	212.1	216.7
Financial Activities	186.6	183.2	186.2	188.4	189.4
Construction	100.4	100.6	101.3	101.9	99.3
Other Services	86.3	85.8	86.4	87.2	88.4
Information	77.2	73.7	73.9	74.3	74.7
Total	2,409.1	2,403.3	2,422.9	2,450.3	2,480.9

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor

Massachusetts Port Authority
Statistical Section

Number of Employees by Facility
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-9 Number of Employees by Facility (1):

Facility	1999	2000	2001	2002	2003
Tobin Bridge	56	56	57	51	49
Logan Airport	673	682	692	633	606
Hanscom Field	17	18	20	17	19
Maritime	88	90	92	124	114
General Administration	341	347	355	273	265
Total Employees	1,175	1,193	1,216	1,098	1,053

(1) Excludes policing services that are provided to Massport by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2008, there were 145 State Police positions assigned to the Authority.

Source: Massport's Authority-Wide Vacancy report

Massachusetts Port Authority
Statistical Section

Number of Employees by Facility, Con't
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-9 Number of Employees by Facility (1):

Facility	2004	2005	2006	2007	2008
Tobin Bridge	53	53.0	54.5	54.5	53.5
Logan Airport	633	691.0	692.0	702.0	705.0
Hanscom Field	19	19.0	18.0	19.0	18.0
Maritime	104	109.0	111.0	112.5	116.0
General Administration	276	286.5	274.5	281.0	297.0
Total Employees	1,085	1,158.5	1,150.0	1,169.0	1,189.5

(1) Excludes policing services that are provided to Massport by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2008, there were 145 State Police positions assigned to the Authority.

Source: Massport's Authority-Wide Vacancy report

Massachusetts Port Authority
Statistical Section

Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-10 Logan International Airport Activity:

	1999	2000	2001	2002	2003
Aircraft Operations (1)					
Domestic (2)	237,276	247,979	247,298	197,844	190,609
International (3)	47,423	43,414	48,699	39,883	39,234
Regional	185,963	162,062	167,820	145,749	123,702
General Aviation	33,918	40,371	31,687	25,524	27,880
Total Operations	504,580	493,826	495,504	409,000	381,425
Aircraft Landed Weights (1,000 pounds)	23,412,000	23,878,000	24,324,000	19,872,000	19,576,000
Passengers Traffic					
Domestic (2)					
Enplaned	10,025,973	10,510,792	10,135,550	8,052,257	8,284,960
Deplaned	10,107,352	10,514,006	10,194,716	8,088,769	8,304,108
International (3)					
Enplaned	2,089,101	2,202,592	2,377,178	1,904,246	1,906,562
Deplaned	2,065,148	2,170,689	2,335,959	1,889,185	1,919,516
Regional					
Enplaned	1,134,641	1,086,632	1,145,938	1,069,742	1,058,709
Deplaned	1,112,732	1,058,307	1,140,587	1,047,558	1,042,212
Subtotal	26,534,947	27,543,018	27,329,928	22,051,757	22,516,067
General Aviation					
Enplaned	62,030	64,269	57,985	46,302	47,072
Deplaned	58,842	53,878	55,369	45,051	45,471
Total Passengers	26,655,819	27,661,165	27,443,282	22,143,110	22,608,610
Total Enplaned Passengers	13,249,715	13,800,016	13,658,666	11,026,245	11,250,231
Average Passengers Per Flight					
Domestic (2)	84.9	84.8	82.2	81.6	87.0
International (3)	87.6	100.7	96.8	95.1	97.5
Regional	12.1	13.2	13.6	14.5	17.0
Air Carrier and Passenger Metrics					
Primary carrier	Delta	Delta	Delta	Delta	Delta
Primary carrier market share	19.0%	19.7%	18.8%	19.4%	19.2%
Two top carriers market share	37.3%	38.5%	36.1%	36.9%	36.8%
Origination & destination share (4)	88.0% (5)	NA	NA	87.7% (6)	NA
Compensatory airline payments to Massport per enplaned passenger	$6.71	$6.72	$7.10	$8.26	$10.22
Logan Airport revenue per enplaned passenger	$18.30	$18.71	$19.77	$0.00	$26.33
Total Cargo & Mail (1,000 pounds)	949,338	1,040,877	980,385	842,249	817,843

(1) Includes all-cargo flights, but excludes helicopters
(2) Includes jet and charter
(3) Includes jet, charter and international commuter
(4) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds.
(5) Data for CY1998
(6) Data for six months ended June 30, 2002.
(7) Data for twelve months ended September 30, 2004.
(8) Data for twelve months ended September 30, 2006.
(9) Data for twelve months ended September 30, 2007.

Source: Authority reports

Massachusetts Port Authority
Statistical Section

Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-10 Logan International Airport Activity:

	2004	2005	2006	2007	2008
Aircraft Operations (1)					
Domestic (2)	184,836	210,357	206,426	214,441	207,693
International (3)	39,799	39,554	36,772	37,368	39,094
Regional	132,496	131,074	128,337	126,097	115,529
General Aviation	28,890	32,352	31,016	30,716	27,724
Total Operations	386,021	413,337	402,551	408,622	390,040
Aircraft Landed Weights (1,000 pounds)	19,864,000	20,822,000	20,376,000	20,408,164	19,905,370
Passengers Traffic					
Domestic (2)					
Enplaned	8,919,352	9,880,689	10,292,917	10,438,225	10,223,459
Deplaned	8,952,770	9,937,869	10,324,060	10,485,949	10,279,164
International (3)					
Enplaned	2,040,079	2,129,374	2,071,481	1,995,778	2,064,293
Deplaned	2,047,766	2,117,983	2,071,740	2,013,591	2,100,097
Regional					
Enplaned	1,276,296	1,371,024	1,297,303	1,433,466	1,326,073
Deplaned	1,240,351	1,307,858	1,272,474	1,432,862	1,322,741
Subtotal	24,476,614	26,744,797	27,329,975	27,799,871	27,315,827
General Aviation					
Enplaned	43,234	60,687	58,315	58,852	54,029
Deplaned	42,920	60,687	58,315	58,852	54,029
Total Passengers	24,562,768	26,866,171	27,446,605	27,917,575	27,423,885
Total Enplaned Passengers	12,235,727	13,381,087	13,661,701	13,867,469	13,613,825
Average Passengers Per Flight					
Domestic (2)	96.7	94.2	99.9	97.6	98.7
International (3)	102.7	107.4	112.7	107.3	106.5
Regional	19.0	20.4	20.0	22.7	22.9
Air Carrier and Passenger Metrics					
Primary carrier	Delta	Delta	Delta	US Airways	American
Primary carrier market share	18.0%	17.0%	15.0%	13.8%	14.1%
Two top carriers market share	35.5%	33.2%	30.0%	27.6%	27.6%
Origination & destination share (1)	88.0% (7)	NA	NA	87.7% (8)	88.4% (9)
Compensatory airline payments to Massport per enplaned passenger	$11.42	$11.56	$12.97	$13.18	$14.30
Logan Airport revenue per enplaned passenger	$27.39	$27.52	$29.03	$30.29	$33.04
Total Cargo & Mail (1,000 pounds)	809,179	796,252	759,326	680,079	644,552

(1) Includes all-cargo flights, but excludes helicopters
(2) Includes jet and charter
(3) Includes jet, charter and international commuter
(4) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds.
(5) Data for CY1998
(6) Data for six months ended June 30, 2002.
(7) Data for twelve months ended September 30, 2004.
(8) Data for twelve months ended September 30, 2006.
(9) Data for twelve months ended September 30, 2007.

Source: Authority reports

Massachusetts Port Authority
Statistical Section

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Logan International Airport
Market Share of Total Passenger Traffic
Current Year and Nine Years Ago

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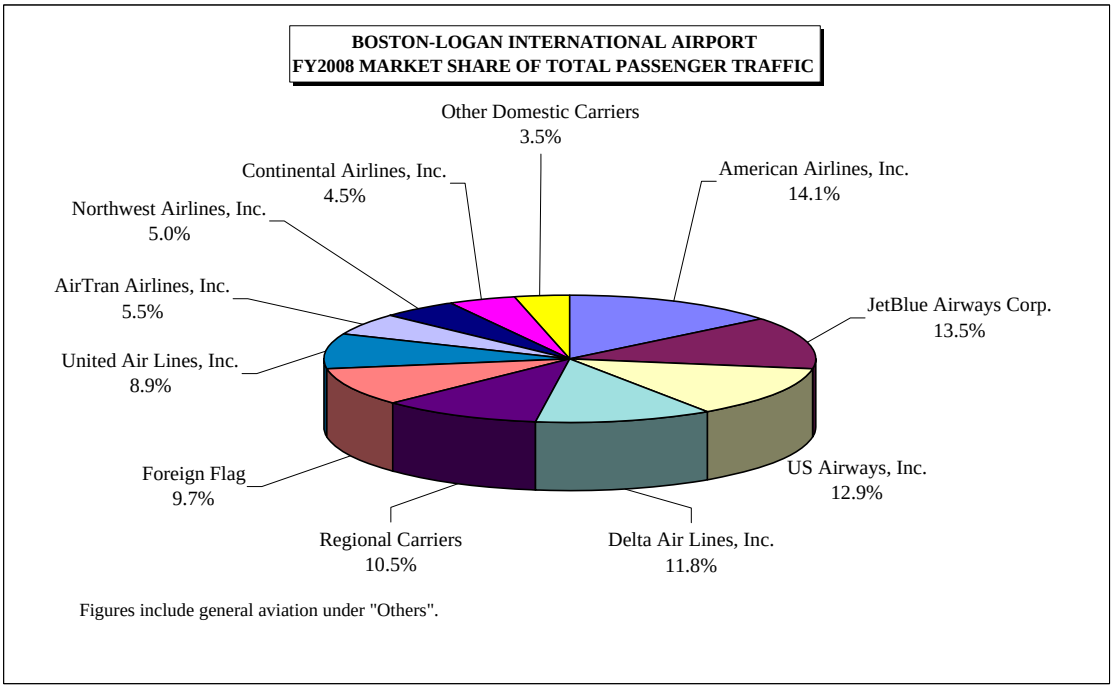
S-11 Passenger Traffic Market Shares

	Fiscal Year 2008		Fiscal Year 1999	
Air Carrier	**Passenger**	**%**	**Passenger**	**%**
American Airlines, Inc. (1)	3,876,882	14.1%	3,539,535	13.3%
JetBlue Airways Corp. (4)	3,698,108	13.5%	NA	NA
US Airways, Inc. (2)	3,543,243	12.9%	4,847,362	18.2%
Delta Air Lines, Inc.	3,229,435	11.8%	5,030,466	18.9%
Regional Carriers (3)	2,882,574	10.5%	2,470,072	9.3%
Foreign Flag	2,659,305	9.7%	2,603,088	9.8%
United Air Lines, Inc.	2,453,352	8.9%	2,747,921	10.3%
AirTran Airlines, Inc.	1,499,008	5.5%	336,466	1.3%
Northwest Airlines, Inc.	1,381,815	5.0%	1,406,830	5.3%
Continental Airlines, Inc.	1,226,697	4.5%	1,663,775	6.2%
Others	973,466	3.5%	1,121,057	4.2%
America West Airlines, Inc.	NA	NA	442,228	1.7%
Trans World Airlines, Inc.	NA	NA	447,019	1.7%
Total	**27,423,885**	**100.0%**	**26,655,819**	**100.0%**

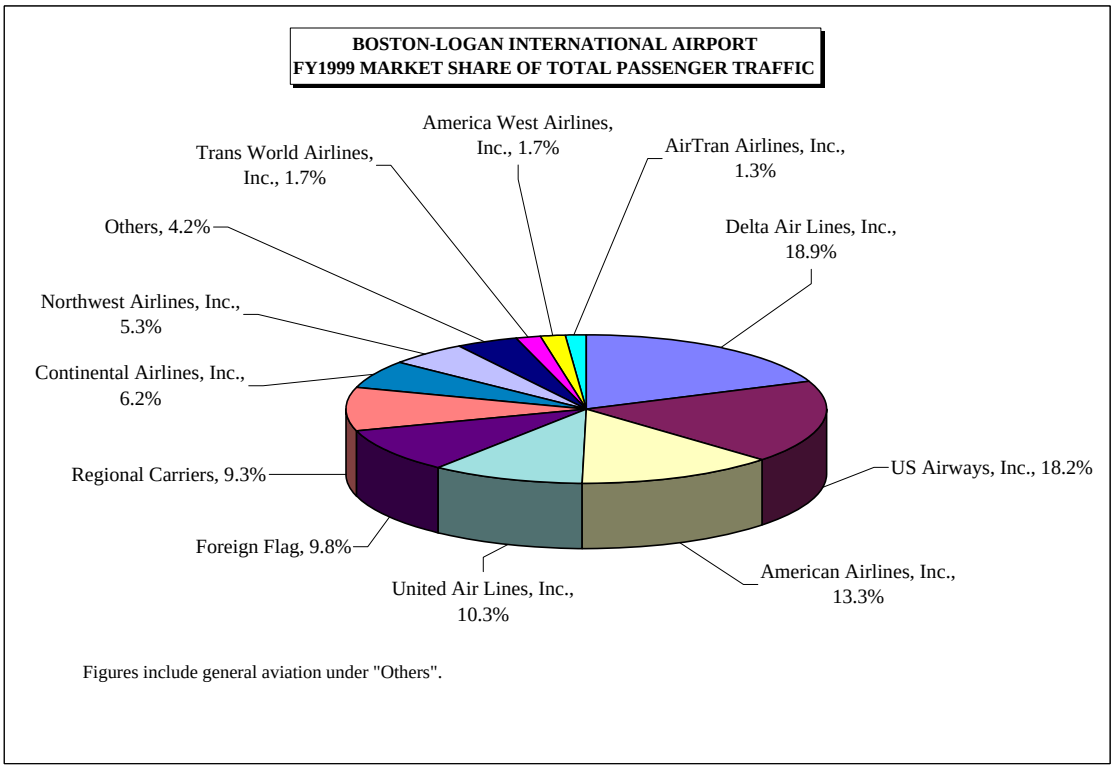
(1) American Airlines acquired Trans World Airlines during 2001.
(2) America West Airlines acquired US Airways and changed its name to US Airways during 2005.
(3) These figures for passengers traveling on U.S. flag regional carriers include passengers traveling internationally.
(4) JetBlue Airways commenced service at Logan Airport in January 2004.

Logan International Airport
Market Share of Total Passenger Traffic, Con't
Current Year and Nine Years Ago

S-11 Passenger Traffic Market Share -Chart


BOSTON-LOGAN INTERNATIONAL AIRPORT
FY2008 MARKET SHARE OF TOTAL PASSENGER TRAFFIC
Other Domestic Carriers 3.5%
Continental Airlines, Inc. 4.5%
American Airlines, Inc. 14.1%
Northwest Airlines, Inc. 5.0%
AirTran Airlines, Inc. 5.5%
JetBlue Airways Corp. 13.5%
United Air Lines, Inc. 8.9%
Foreign Flag 9.7%
US Airways, Inc. 12.9%
Regional Carriers 10.5%
Delta Air Lines, Inc. 11.8%

Figures include general aviation under "Others".


BOSTON-LOGAN INTERNATIONAL AIRPORT
FY1999 MARKET SHARE OF TOTAL PASSENGER TRAFFIC
America West Airlines, Inc., 1.7%
Trans World Airlines, Inc., 1.7%
AirTran Airlines, Inc., 1.3%
Others, 4.2%
Delta Air Lines, Inc., 18.9%
Northwest Airlines, Inc., 5.3%
Continental Airlines, Inc., 6.2%
Regional Carriers, 9.3%
US Airways, Inc., 18.2%
Foreign Flag, 9.8%
American Airlines, Inc., 13.3%
United Air Lines, Inc., 10.3%

Figures include general aviation under "Others".

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Massachusetts Port Authority
Statistical Section

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Logan International Airport
Passenger Markets
Calendar Year 2007 and Nine Years Ago

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S-12 Logan International Airport - Passenger Markets

The following table shows the percentage of passengers traveling on U.S. air carrier airlines to or from the Airport and other final domestic destinations for calendar year 2007, as reported by the United States Department of Transportation ("DOT"). International passengers are not included. It also shows the comparative ranking of the top 20 domestic destinations for the same period and for calendar year 1998.

Market	Calendar 2007 Percentage	Calendar 2007 Rank	Calendar 1998 Rank
New York, New York / Newark, New Jersey	8.2%	1	1
Washington D.C.	8.1%	2	2
San Francisco, California	5.4%	3	4
Los Angeles, California	5.1%	4	6
Florida South *	5.1%	5	10
Chicago, Illinois	4.7%	6	3
Orlando, Florida	4.6%	7	5
Atlanta, Georgia	3.9%	8	7
Philadelphia, Pennsylvania	2.8%	9	8
Denver, Colorado	2.3%	10	12
Tampa, Florida	2.3%	11	11
Dallas, Texas	2.2%	12	9
Las Vegas, Nevada	2.2%	13	14
Fort Myers, Florida	2.2%	14	19
West Palm Beach, Florida	1.9%	15	13
Minneapolis - St. Paul, Minnesota	1.8%	16	16
Detroit, Michigan	1.7%	17	18
Seattle, Washington	1.6%	18	20
Raleigh-Durham, North Carolina	1.6%	19	-
San Diego, California	1.5%	20	-
Baltimore, Maryland		-	17
Total for Cities Listed	69.1%		

* Florida South consists of Miami and Fort Lauderdale

Source: Back Aviation Solutions

Massachusetts Port Authority
Statistical Section

Port of Boston
Cargo and Passenger Activity
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-13 Port of Boston Cargo and Passenger Activity

Port Activity	1999	2000	2001	2002	2003
Containers (1)	83,544	83,407	74,901	72,537	86,149
Cruise Passengers	115,625	156,769	186,070	246,539	207,254
Automobiles (2)	74,060	87,973	89,348	80,070	29,559
Bulk Tonnage	217,103	168,600	158,705	207,583	162,824

(1) Does not include over-the-road volumes.

(2) Includes vehicles entered by over-the-road means through September 1998; does not include vehicles entered by over-the-road means after September 1998.

Source: Authority reports

Massachusetts Port Authority
Statistical Section

Port of Boston
Cargo and Passenger Activity, Con't
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-13 Port of Boston Cargo and Passenger Activity

Port Activity	2004	2005	2006	2007	2008
Containers (1)	93,627	103,631	111,020	116,156	124,122
Cruise Passengers	200,836	192,869	246,365	200,998	236,922
Automobiles (2)	12,198	10,657	11,170	10,252	15,546
Bulk Tonnage	144,304	189,517	202,681	188,311	206,494

(1) Does not include over-the-road volumes.

(2) Includes vehicles entered by over-the-road means through September 1998; does not include vehicles entered by over-the-road means after September 1998.

Source: Authority reports

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Massachusetts Port Authority

Statistical Section

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Port of Boston

Principal Customers

Current Year and Nine Years Ago

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S-14 Port of Boston Principal Customers

Fiscal Year 2008

Direct Service	Shipping Lines	Cruise Lines	Large Customs House Brokers
China Ocean Shipping Co.	China Ocean Shipping Co	Carnival	A.N. Deringer
CMA-CGM	Chilean Line	Crystal Cruises	Albatrans, Inc.
Columbia Coastal Transport	CMA-CGM	Cunard	BDP International, Inc.
Eimskip	Eimskip	Hapag Lloyd	Boston Bay Brokers Inc.
Hanjin Shipping	Evergreen	Holland America	C.H. Powell Company
K-Line	Hanjin	Norwegian Cruise Line	DHL Danzas
Mediterranean Shipping Corp.	Hapag Lloyd	P&O	Dolliff & Company, Inc.
Yang Ming Line	Hatsu	Phoenix Seereisen	Dynasty International, Inc.
	K Line	Princess Line	EGL Eagle Global Logistics
	Maersk	Royal Caribbean	Expeditors Int'l
	Meditteranean Shipping Co.	Saga Holidays	Fedex Trade Networks
	NYK Line	Silversea Cruise	Hellmann Worldwide Logistics, Inc.
	OOCL		J.F. Moran Co., Inc.
	Safmarine		Kuehne & Nagel, Inc.
	Yang Ming		Liberty International
	Zim Line		Magic Customs Brokers, Inc.
			OceanAir, Inc
			Panalpina, Inc.
			Savino Del Bene, Inc.
			Schenker International, Inc.
			UPS Supply Chain Solutions

Fiscal Year 2000

Shipping Lines	Cruise Lines	Large Customs House Brokers
Alianca	Clipper Cruise Lines	AEI-Radix
American Pres. Line	Cunard	C.H. Powell Company
Cho Yang	Holland America	Circle
Columbia Coastal	Moran/Premier Cruise Line	Kuehne & Nagel, Inc.
Columbus Line	Norwegian Cruise Line	Moran Shipping
China Ocean	Princess Cruise	Peabody & Lane
Evergreen America	Royal Caribbean Cruise Line	Tower Group
Hanjin	Seaborne Cruise Line	
Hapag Lloyd	Silversea Cruise	
Hoegh		
Hyundai		
Italian Lines		
Meditteranean Shipping Co.		
Mitsui Osk Line		
NYK Line		
SPM		
Volkswagon		
Yang Ming		
Zim Container		

Source: Authority reports

Massachusetts Port Authority
Statistical Section

Tobin Memorial Bridge
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-15 Bridge Statistics (In-Bound)

	1999	2000	2001	2002	2003
Tobin Bridge Toll Class 1 - Passenger vehicles	$1.00	$1.00	$1.00	$2.00	$2.00
Class 1 Passenger (1)	9,888,389	10,025,617	10,898,566	10,218,593	9,817,665
Resident: Vehicles with Resident Discount (1)	388,825	395,526	388,815	391,961	512,014
Total Passenger Vehicles	10,277,214	10,421,143	11,287,381	10,610,554	10,329,679
Class 2 - 6 Commercial (2)	675,747	821,852	990,900	924,235	909,273
Total Paying Vehicles	10,952,961	11,242,995	12,278,281	11,534,789	11,238,952
Massachusetts Bay Transportation Authority (MBTA)	62,239	67,471	68,358	54,620	30,883
Other Non-Revenue Vehicles	53,239	41,425	43,264	43,878	48,183
Total Non-Paying Vehicles	115,478	108,896	111,622	98,498	79,066
Total Vehicles	11,068,439	11,351,891	12,389,903	11,633,287	11,318,018

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll. This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

(2) Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

(3) When the toll was raised effective April 3, 2004, a $0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

Source: Authority reports

Massachusetts Port Authority
Statistical Section

Tobin Memorial Bridge, Con't
Fiscal Years Ended June 30, 1999 through June 30, 2008

S-15 Bridge Statistics (In-Bound)

	2004	2005	2006	2007	2008
Tobin Bridge Toll Class 1 - Passenger vehicles	$3.00 (3)	$3.00	$3.00	$3.00	$3.00
Class 1 Passenger (1)	9,427,512	8,164,954	8,384,939	9,203,180	8,988,012
Resident: Vehicles with Resident Discount (1)	585,811	648,510	695,357	655,520	702,354
Total Passenger Vehicles	10,013,323	8,813,464	9,080,296	9,858,700	9,690,366
Class 2 - 6 Commercial (2)	885,858	796,425	862,845	1,031,598	979,516
Total Paying Vehicles	10,899,181	9,609,889	9,943,141	10,890,298	10,669,882
Massachusetts Bay Transportation Authority (MBTA)	23,302	48,231	54,460	68,143	74,289
Other Non-Revenue Vehicles	61,827	65,093	44,039	39,463	48,012
Total Non-Paying Vehicles	85,129	113,324	98,499	107,606	122,301
Total Vehicles	10,984,310	9,723,213	10,041,640	10,997,904	10,792,183

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll. This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

(2) Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

(3) When the toll was raised effective April 3, 2004, a $0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

Source: Authority reports

Massachusetts Port Authority

Statistical Section

Insurance Coverage

Fiscal Year Ended June 30, 2008

S-16 Insurance Coverage

POLICY - 7/01/07 - 6/30/2008	BROKER / UNDERWRITER	LIMITS	RETENTION / UNDERLYING
PROPERTY INSURANCE			
All Risk Property Insurance including Boiler & Mach., Contractor's Equip. & Bus. Int.	FM Global	$500,000,000	$250,000
Tobin Bridge Use & Ocupancy	Corporate Insurance Services/ACE, USA	$100,000,000	$500,000
Property Terrorism Coverage	FM Global	$500,000,000	$500,000
Hull Insurance - Fireboat, State Police Patrol Boat Including Terrorism Coverage	Customhouse Marine / CNA	Agreed Value	$15,000
LIABILITY INSURANCE			
Aviation General Liability Airport Terrorism Coverage Primary and Excess	Wells Fargo* / Global Aerospace	$500,000,000	$250,000
Deductible for non-airside auto losses only			$1,000,000
Comprehensive Marine Liability Terminal Operator's Liability Including Port & Stevedore Liability Bridge General Liability Primary and Excess Including Terrorism	Wachovia / NMB London	$50,000,000	$50,000
Automobile Liability For Fleet & Buses	Wells Fargo* / Hanover	$5,000,000	
Comprehensive & Collision Deductible			$500
WORKERS' COMPENSATION			
Stevedores Workers' Comp - USL&H	HUB International / AIG	Staturory	$0
-Employer's Liability		$1,000,000	
Stevedores Workers' Comp - State Act	HUB International / AIG	Statutory	$0
-Employer's Liability		$1,000,000	
Excess Workers' Compensation	USI / AIG	Statutory $1,000,000	$750,000
Self-Insurer's WC Bond	USI / Travelers	$3,200,000	$0
OTHER COVERAGE			
Crime, Dishonesty Burglary and Robbery	Marsh USA, Inc. Travelers Casualty & Surety	$3,000,000	$100,000

Massachusetts Port Authority

Statistical Section

Physical Asset Data

Fiscal Year Ended June 30, 2008

S-17 List of Certain Physical Asset Characteristics

Tobin Memorial Bridge

Structure - double-decked (overall length (feet))	9,450
Capacity (number of traffic lanes each direction)	3

Logan Airport

Area of Airport (acres - approximate)	2,400

Runways

Runway 15R/33L (length in feet)	10,081
Runway 4R/22L (length in feet)	10,005
Runway 22R/4L (length in feet)	7,860
Runway 9R/27L (length in feet)	7,000
Runway 33R/15L (length in feet)	2,557
Runway 14R/32L (length in feet)	5,000

Terminal Buildings

Terminal A (number of jet contact gates)	18
Terminal B (number of jet contact gates)	36
Terminal C (number of jet contact gates)	27
Terminal E (number of jet contact gates)	13

Parking

Number of commercial and employee parking spaces	20,615

Cargo Facilities (square feet)	440,000

Hanscom Field

Area of Airport (acres - approximate)	1,300

Runways

Runway 11/29 (length in feet)	7,000
Runway 5/23 (length in feet)	5,100

Port of Boston

Conley Terminal (101 acres)

Berth 11 (length in feet)	1,000
Berth 12 (length in feet)	1,000
Berth 14 (length in feet)	500
Berth 15 (length in feet)	500

Moran Terminal (64 acres)

Berth 1 (length in feet)	1,000

Black Falcon Terminal

10 berths (length in feet (each))	500

Commercial Real Estate (approximate acres)	60

Source: Authority reports

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QUEEN ELIZABETH II

Thursday, September 18, 2008 QE2 made her final port of call to Boston. In her more than 40 years of service, she made 50 calls to Boston, including 21 overnighters. The ship was escorted out of the harbor with fireboat water displays by Massport Fire-Rescue and the Boston Fire Department. As she sailed past Castle Island in South Boston for the last time, the Massachusetts Army National Guard 1st Battalion 101st Field Artillery fired an 11-Round Howitzer Salute while the British Deputy Consul-General bid farewell to the grand ocean liner.

STATEMENT OF
ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2008

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of December 10, 2008 (the "Annual Disclosure Statement") of the Massachusetts Port Authority (the "Authority") is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement, dated as of August 1, 1997 (the "Continuing Disclosure Agreement"), between the Authority and U.S. Bank National Association (successor to State Street Bank and Trust Company), as trustee (the "Trustee"), and the Trust Agreement dated as of May 1, 1997 between the Authority and the Trustee relating to the BOSFUEL Bonds (as defined below). Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2008 ("fiscal year 2008") updating the financial information and operating data presented in the Authority's Statement of Annual Financial Information and Operating Data dated as of November 16, 2007 (the "2007 Annual Disclosure Statement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Authority's Official Statements dated June 19, 2008 and July 1, 2008 (together, the "2008 Official Statement"). This Annual Disclosure Statement is part of the Authority's Comprehensive Annual Financial Report dated December 10, 2008 (the "CAFR") for fiscal year 2008 and the remaining sections of the CAFR are incorporated herein by reference. The Authority's audited financial statements for fiscal year 2008 and comparative information for fiscal year 2007, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included as the financial section of the CAFR. The 2008 Official Statement and the 2007 Annual Disclosure Statement are each on file with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"). "). For a more complete description of the Authority and the Bonds, reference is made to the 2008 Official Statement.

This Annual Disclosure Statement applies to the following outstanding Series of Bonds issued by the Authority (collectively, the "Bonds"):

Massachusetts Port Authority Revenue Refunding Bonds, Series 2008-C (Non-AMT)
Massachusetts Port Authority Multi-Modal Revenue Bonds, Series 2008-A (Non-AMT)
Massachusetts Port Authority Multi-Modal Revenue Refunding Bonds, Series 2008-B (AMT)
Massachusetts Port Authority Revenue Bonds, Series 2007-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2007-C (AMT)
Massachusetts Port Authority Revenue Bonds, Series 2005-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2005-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 2003-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2003-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 1999-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 1999-D (AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 1998-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 1998-B (AMT)
Massachusetts Port Authority Taxable Revenue Refunding Bonds, Series 1998-C
Massachusetts Port Authority Revenue Bonds, Series 1998-D (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 1998-E (AMT)
Massachusetts Port Authority Revenue Bonds, Series 1997-B

Massachusetts Port Authority Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007

The Authority has issued and outstanding 17 series of bonds pursuant to the Trust Agreement dated as of August 1, 1978, as supplemented and amended (the "1978 Trust Agreement") between the Authority and the Trustee as of the date hereof. Please see footnote F of the Authority's financial statements as of June 30, 2008 for more detailed information. On July 9, 2008, the Authority issued $38,015,000 of Series 2008-C Bonds (Non-AMT) to refund the 1997-C Bonds and a portion of the 1998-A Bonds. On June 19, 2008, the Authority issued $24,285,000 of Series 2008-A Multi-Modal Revenue Bonds (Non-AMT) and $100,920,000 of Series 2008-B Multi-Modal Revenue Refunding Bonds (AMT). The Series 2008-A Bonds were used to purchase airport roadways associated with the Central Artery/Tunnel project and to repay $13,000,000 of commercial paper indebtedness. The Series 2008-B Bonds were used to refund all outstanding Series 2003-B Bonds and Series 2005-B Bonds, which comprised all of the Authority's outstanding auction rate securities. The Series 2008-A Bonds and Series 2008-B Bonds were issued as variable rate debt with interest rates that reset weekly. The Series 2008-A Bonds and Series 2008-B Bonds are backed by a Letter of Credit issued by the Bank of America, N.A. On December 29, 2000 and January 2, 2001, respectively, the Authority issued its Subordinated Revenue Bonds, Series 2000-A, 2000-B and 2000-C, and Series 2001-A, 2001-B and 2001-C, respectively, in the aggregate principal amount of $74,000,000 (collectively, the "Subordinated Revenue Bonds"). The Subordinated Revenue Bonds are payable solely from amounts on deposit in the Improvement and Extension Fund established under the 1978 Trust Agreement and in a separate account not subject to the pledge of the 1978 Trust Agreement. The Subordinated Revenue Bonds are subordinate to all of the revenue bonds issued prior to the date hereof by the Authority pursuant to the 1978 Trust Agreement.

On June 16, 1999, the Authority issued its $67,665,000 PFC Revenue Bonds, Series 1999-A (Non-AMT) (the "1999-A PFC Bonds") and $181,690,000 PFC Revenue Bonds, Series 1999-B (AMT) (the "1999-B PFC Bonds") pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the "PFC Trust Agreement"), between the Authority and The Bank of New York, as trustee (the "PFC Trustee"). On June 7, 2007, the Authority issued $113,610,000 of its PFC Revenue Bonds and PFC Revenue Refunding Bonds. The Authority's PFC Revenue Bonds, Series 2007-B (the "2007-B Bonds") were issued to finance a portion of the Authority's capital program. The Authority's PFC Revenue Refunding Bonds, Series 2007-D (the "2007-D Bonds") were issued to advance refund the Authority's PFC Revenue Bonds, Series 1999-A. Pursuant to the Continuing Disclosure agreement dated as of May 6, 1999 (the "PFC Disclosure Agreement") between the Authority and The Bank of New York, the Authority is also including as part of the CAFR its Statement of PFC Annual Financial Information and Operating Data for fiscal year 2008 (the "2008 PFC Disclosure Statement") with respect to the PFC Bonds.

On August 16, 2001, the Authority issued its Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001A, 2001B and 2001C (collectively, the "Delta Project Bonds") in aggregate principal amount of $497,585,000. On March 1, 2001, the Authority issued its Special Facilities Revenue Refunding Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 2001-A (Tax-Exempt) and 2001-B (Taxable) (collectively, the "Hyatt Bonds"), a portion of the proceeds of which were applied to refund all of the Authority's outstanding Special Facilities Revenue Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 1990. On December 9, 1999, the Authority issued $80,500,000 of its Special Facilities Revenue Bonds (United Air Lines, Inc. Project), Series 1999A (the "United Project Bonds"). As a result of United Air Lines filing for bankruptcy protection in December 2002, the trustee for the United Project Bonds issued notice of an event of default. On February 1, 2006, the bankruptcy court approved the United Air Lines Plan of Reorganization and as a result, the United Project Bonds debt was discharged, along with other unsecured debt of United Air Lines. On October 21, 1999, the Authority issued its $33,120,000 Special Facilities Revenue Bonds (US Airways Project),

Series 1999 (the "1999 US Airways Project Bonds") and on January 2, 1997, the Authority issued its $48,980,000 Special Facilities Revenue Bonds (USAir Project), Series 1996A (the "1997 USAir Project Bonds" and collectively with the 1999 US Airways Project Bonds, the "US Airways Project Bonds").

The Authority did not undertake any ongoing disclosure obligations in connection with the issuance of the Subordinated Revenue Bonds, the Delta Project Bonds, the Hyatt Bonds, the United Project Bonds or the US Airways Project Bonds. On May 15, 1997, the Authority issued its $111,320,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 1997 (the "1997 BOSFUEL Bonds"). On July 12, 2007, the Authority issued its $106,595,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the "2007 BOSFUEL Bonds"). The 2007 BOSFUEL Bonds were issued to finance the design and construction of improvements to the integrated jet fuel storage and distribution system at Logan Airport and to currently refund the 1997 BOSFUEL Bonds.

The Authority's principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Pranckevicius, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

Annual Disclosure Statement

This Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the 1978 Trust Agreement, and not on the basis of GAAP.*** For a comparison of the Authority's financial results under the 1978 Trust Agreement and GAAP, please refer to Table S-4 (Conversion of GAAP Revenues and Expenses to 1978 Trust Agreement Revenues and Expenses) set forth in the statistical section of the CAFR. The information set forth herein does not contain all material information concerning the Bonds or the Authority necessary to make an informed investment decision. This Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds.

This Annual Disclosure Statement is submitted pursuant to the Continuing Disclosure Agreement and the obligations of the Authority entered into in 1997 in connection with the BOSFUEL Bonds. The intent of the Authority's undertaking under the Continuing Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the Continuing Disclosure Agreement the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the Continuing Disclosure Agreement, the Authority has agreed with respect to the Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the 1978 Trust Agreement, and notices of material events. In addition, in connection with the issuance of the BOSFUEL Bonds, the Authority undertook a limited obligation to provide annual updated data with respect to certain information regarding the Airport. The Authority reserves the right to modify the disclosure required under the Continuing Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the Trustee or for the underwriters of the Bonds, any registered owner or beneficial owner of Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the Continuing Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for

money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the 1978 Trust Agreement or any other instrument relating to the Bonds.

UPDATED OPERATING INFORMATION

Airport Properties

Boston-Logan International Airport (the "Airport") continues to be the principal source of the Authority's Revenues, Net Revenues and net income, and is the dominant factor in the determination of the Authority's financial condition. In fiscal year 2008, the Airport accounted for 76.3% of the Authority's Revenues and 80.3% of the Authority's Net Revenues, as defined in the 1978 Trust Agreement. For additional information regarding activities at the Airport Properties during fiscal year 2008, please refer to pages 2-3 of the Letter of Transmittal to the CAFR and to Exhibits S-10, S-11 and S-12 presented in the statistical section. Exhibit S-10 summarizes Airport traffic statistics for the ten most recent fiscal years.

Logan Airport plays a leading role in New England's air service infrastructure. In calendar year 2007, based upon total passenger volume, Logan Airport was the most active in New England, the 19th most active in the United States and the 41st most active in the world, according to the Airports Council International ("ACI"). Enplaned plus deplaned passengers at the Airport for fiscal year 2008 totaled approximately 27.4 million passengers. This is a 1.8% decrease from the 27.9 million passengers that used the Airport in fiscal year 2007.

The primary destinations of passengers using the Airport for calendar year 2007 were all Florida destinations 18.9%, the New York/New Jersey area 9.7% and Washington, DC 8.1%. The proportion of domestic passengers traveling to the West Coast cities of California was 12.3%.

In fiscal year 2008, international passengers (including those traveling on foreign flag and regional carriers) accounted for 15.2% of passenger traffic, or approximately 4.2 million passengers. The shares of international passengers at the Airport were 66.9% for Europe and the Middle East, 13.9% for Canada, and 19.1% for Bermuda and the Caribbean. In fiscal year 2008, the top five international origin-destination markets were London, Paris, Toronto, Shannon and Frankfurt. International passenger traffic grew by 3.9% in fiscal year 2008, and decreased by 3.2% and 2.5% in fiscal years 2007 and 2006 respectively.

In fiscal year 2008, regional airlines accounted for approximately 9.7% of total passenger traffic at the Airport, or approximately 2.6 million passengers. The number of regional passengers (excluding passengers traveling internationally) decreased by 7.6% in fiscal year 2008, grew by 11.5% in fiscal year 2007 and decreased by 4.1% in fiscal year 2006. As of June 30, 2008, COMAIR Delta Connection accounted for the greatest share of all domestic regional traffic at the Airport, with 33.1% of domestic regional passengers, followed by American Eagle, owned by AMR Corp., parent of American Airlines for 22.5% and the US Airways Express group of regional carriers, which carried 24.4% of domestic regional passengers.

The distinction between low-cost carriers and legacy carriers continues to diminish as the legacy carriers continue to restructure their operations either within or outside of bankruptcy protection and low-cost carriers have experienced increases in operating costs. In September 2005, America West Airlines purchased the assets of US Airways, which had been under bankruptcy protection, and named the combined carrier US Airways. While in bankruptcy from September 2005 through April 2007, Delta Air Lines cut costs and consolidated the operations of Song, its former low-cost operating division, under

Delta's name. During fiscal year 2008, low-cost carriers handled 19.6% of the Airport's passengers. As of June 30, 2008, the low-cost carriers providing service at the Airport were AirTran Airways, JetBlue Airways and Spirit Airlines. As of June 30, 2008, these three carriers served 36 non-stop destinations. Airport passenger traffic as a whole fell by 1.8% in fiscal year 2008 while passenger traffic for the three low-cost carriers serving Logan Airport grew 3.5%.

In fiscal year 2008, total combined cargo and mail volume was approximately 644.6 million pounds. Between fiscal years 2003 and 2007, the total volume of air cargo and mail handled at the Airport decreased by 16.8%, and the volume in fiscal year 2008 decreased by 5.2% from fiscal year 2007. From fiscal year 2007 to fiscal year 2008, air cargo (small package/express and freight) fell 4.8%. A large percentage of the total volume of air cargo for the period was attributable to integrated small package/express carriers, including Federal Express, United Parcel Service, DHL Airways, Kitty Hawk Airlines, Air Transport International and Airborne Express. Integrated carriers accounted for 63.8% of total domestic and international cargo volume in fiscal year 2008 and 62.6% in fiscal year 2007.

SELECTED FINANCIAL DATA

Table S-5 set forth in the statistical section of the CAFR reflects Revenues and Operating Expenses for the ten most recent fiscal years, prepared in accordance with accounting principles required by the 1978 Trust Agreement. Information for each of the ten fiscal years is derived from the Authority's financial statements for the respective fiscal years. (Note that in certain cases information from prior fiscal years has been conformed to comply with current GASB standards.) Financial statements of the Authority for fiscal year 2008 and comparative data for fiscal year 2007, together with the report thereon of PricewaterhouseCoopers LLP, independent auditors, are included in the CAFR.

Table S-6 of the CAFR shows the calculation of Annual Debt Service Coverage of the Authority, as provided under the 1978 Trust Agreement, which equals the ratio of the Net Revenues of the Authority to the Annual Debt Service. "Net Revenues" is defined in the 1978 Trust Agreement as the excess of Revenues less Operating Expenses; provided that for the purpose of the calculations, proceeds of passenger facility charges ("PFCs") have been excluded from Revenues because such proceeds have been excluded from Revenues under the 1978 Trust Agreement. PFCs are pledged to secure the PFC Bonds, pursuant to the PFC Trust Agreement, and certain specific information pertaining to the PFC Bonds, as required by the PFC Disclosure Agreement, is set forth in the separate 2008 PFC Disclosure Statement. As used in the tables, "Annual Debt Service" is equal to the "Principal and Interest Requirements" on Bonds (other than BOSFUEL Bonds) outstanding for the applicable fiscal year.

MANAGEMENT'S DISCUSSION OF HISTORICAL OPERATING RESULTS

Prepared in Accordance with the 1978 Trust Agreement

Total Revenues in fiscal year 2008 were $589.3 million, compared to $550.1 and $510.4 million in fiscal years 2007 and 2006, respectively, while Operating Expenses were $336.9 million in fiscal year 2008 compared to $312.6 and $293.9 million in fiscal years 2007 and 2006, respectively, resulting in Net Revenues of $252.5 million in fiscal year 2008. Logan Airport is the primary source of the Authority's Revenues, Net Revenues and Operating Expenses. For a discussion of the differences between the accounting principles required by the 1978 Trust Agreement and generally accepted accounting principles, see Note B to the Financial Statements. Revenues and Net Revenues do not include PFC revenues, which are required under federal law to be applied to certain capital projects at the Airport and are not pledged for the benefit of holders of the Bonds. PFC revenues, exclusive of interest earnings, totaled $48.3 million in fiscal year 2006, $57.5 million in fiscal year 2007 and $53.7 million in fiscal year

2008. PFC revenues in fiscal year 2007 were 19.0% greater than fiscal year 2006 largely due to the change of the collection rate from $3.00 to $4.50 per eligible passenger, effective October 1, 2005. PFC revenues in fiscal year 2008 were 6.6% lower than PFC revenues in fiscal year 2007, which was partly the result of a decline in passenger volumes of approximately 1.8%. Passenger facility charge revenues are recognized at the time the airline ticket is purchased, which does not have a fixed relationship with the actual travel date.

Airport Properties

Airport Properties Net Revenues (Airport Properties Revenues less Airport Properties Operating Expenses) increased from fiscal year 2007 to fiscal year 2008 by 7.8%. The number of passengers using Logan Airport (excluding general aviation) in fiscal year 2008 was 1.7% lower than the prior fiscal year. Landed weights were 2.5% lower than the prior fiscal year. Parking revenues were 11.3% greater than revenues in fiscal year 2007, due in large part to the major reconstruction project that added approximately 2,800 additional parking spaces at the Central Garage facility that was completed during fiscal year 2007. Logan Airport generated approximately $449.8 million of Revenue and incurred $247.0 million of Operating Expenses in fiscal year 2008, compared to $420.1 million and $396.6 million of Revenues and $232.4 million and $218.7 million of Operating Expenses in fiscal years 2007 and 2006, respectively. Operating revenue and expense figures for Logan Airport stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Logan Airport.

Unlike many airport operators, the Authority is not constrained by contractual arrangements with the air carriers serving the Airport governing the incurrence of aeronautical costs and the recovery of such costs in the landing fee and terminal rentals. Instead, landing fees and terminal rentals are set annually by the Authority on a compensatory basis to cover direct and allocated capital, administration, maintenance and operating costs. Accordingly, each October, the Authority establishes the landing fee for the Airport per thousand pounds of landed weight and the rental rates for the terminals, based upon historical capital costs and projected landed weights, and the budgeted direct and allocable indirect operating costs of providing these facilities for that fiscal year. In fiscal year 2006, the Authority has instituted a policy with regard to reconciling the difference between budgeted costs and actual costs for the fiscal year. Under the policy, at the end of the fiscal year, the Authority calculates an adjustment for the actual versus the prior year's budgeted revenues and expenses and invoices or pays the difference as appropriate. Under the old methodology, the Authority calculated an adjustment for the actual versus the prior year's budgeted revenues and expenses and included the adjustment in the calculation of the current year's rates and charges.

Landing Fees. Landing fee revenues at the Airport increased to $76.7 million in fiscal year 2006 to $82.2 million in fiscal year 2007 and increased to $87.1 million in fiscal year 2008. This increase of approximately $4.9 million or 6.0% was essentially the result of a higher average landing fee charged in fiscal year 2008 compared to fiscal year 2007. The landing fee increased due to the additional costs associated with rising energy costs, as well as higher costs associated with the investment in and operating costs of new and existing facilities. Landed weights were 20,376,000 pounds in fiscal year 2006, 20,408,000 pounds in fiscal year 2007, and 19,905,000 pounds in fiscal year 2008.

Parking Fees. Airport parking revenues (including Logan Express) increased from $92.3 million in fiscal year 2006 to $99.4 million in fiscal year 2007 and further increased to $110.6 million in fiscal year 2008 due to the completion of the repair and expansion project that added approximately 2,800 parking spaces at the Central Garage facility. The number of commercial parking spaces at the Airport is subject to a limitation imposed by the EPA.

Rentals. All leases with air carriers for terminal space at the Airport currently provide that the Authority may revise rental rates periodically, at the discretion of the Authority, to recover the actual direct and indirect capital and operating costs for such leased space. In addition, leases with certain carriers which are obligors of special facilities revenue bonds issued by the Authority and secured by a pledge of certain lease revenues are required to pay rent directly to the applicable trustee in an amount at least sufficient to pay the debt service on such bonds. In August 2001, the Authority entered into a long-term lease with Delta of Terminal A with a term scheduled to end on April 1, 2010, which may be extended to 2030, pursuant to which Delta redeveloped Terminal A. The new Terminal A was substantially completed and opened for service on March 16, 2005. After Delta Airlines filed for bankruptcy protection in September 2005, the Authority and Delta Airlines negotiated a restated and amended lease (the "Amended Lease") for Terminal A pursuant to which Delta Airlines reduced the number of gates that it occupied in Terminal A. The Amended Lease was approved by the Bankruptcy Court and by Ambac Assurance Corporation ("Ambac") as insurer of the Terminal A Special Facility Bonds and is effective as of July 1, 2006. As a result, Delta now has a ten year lease, which includes 12 of the 18 contact gates and four of the seven regional aircraft positions. Delta emerged from bankruptcy on April 30, 2007. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than a portion of the Terminal A airline revenue, to service the debt. In November 2007, the Authority entered into a five-year lease with Continental Airlines for four contact gates and two regional aircraft parking positions in Terminal A.

The Authority has entered into a lease of the western wing of Terminal B with US Airways for a term scheduled to end September 30, 2023, and the Authority entered into a similar lease of a significant portion of the eastern wing of Terminal B with American Airlines for a term expiring in 2010, which may be extended to 2015. In fiscal year 2008, rentals from Terminal A were $18.2 million, rentals from Terminal B were $24.2 million.

In Terminal C, the Authority has a lease with JetBlue that runs from January 2005 through April 2010 with twenty automatic one-year extensions. In March 2007 JetBlue occupied eight gates and by November 2008, the lease will expand to 11 gates. The Authority does not have long-term written agreements with the other airline tenants in Terminals C and E. Rental rates for such Terminals are set on a compensatory basis to recover direct and allocated capital, administration, maintenance and operation costs. Rental revenue from these three Terminals totaled $63.4 million in fiscal year 2008. Rental income from buildings other than Terminals totaled $19.5 million in fiscal year 2008 and income from land rentals produced an additional $17.0 million.

Concessions. Revenues from concessions increased from $51.9 million in fiscal year 2006 to $53.7 million in fiscal year 2007 and increased to $63.1 million in fiscal year 2008. Concession revenues include payments made by rental car companies which operate at the Airport and commissions from the following concessions: food and beverage, news and gifts, duty free shops, specialty shops, ground transportation services, and other concessions.

Hanscom Field. During fiscal year 2008, Revenues from operations at Hanscom Field represented approximately 1.7% of the total Revenues of the Authority, and Hanscom's Operating Expenses constituted approximately 2.8% of the Authority's Operating Expenses. In fiscal year 2008, Hanscom Field generated $10.1 million of Revenue, with Operating Expenses of $9.3 million, yielding an operating surplus before debt service or other capital expenses of approximately $0.8 million. Operating revenue and expense figures for Hanscom Field stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Hanscom Field.

Worcester Regional Airport. All payments made under the Worcester OA have been made from cash in the Improvement and Extension Fund.

Port Properties

As part of the reorganization of the Authority, responsibility for the properties formerly managed by the Business Development Department, which include both maritime/industrial properties and development properties in former port backlands, was transferred to the Maritime Department.

Results of operations of the Authority's Maritime Department and those properties formerly managed by the Business Development Department are separately stated through fiscal year 2003. Beginning in fiscal year 2004, results are restated as Maritime Operations and Maritime Real Estate. Maritime Operations includes container activity, cruise passenger activity and automobile shipping (all previously under Maritime). Maritime Real Estate includes all of the former Business Development Department's real estate assets and some land/building assets which were previously reported under Maritime. The Authority has traditionally experienced annual Port Properties operating deficits (Maritime and Business Development Revenues less Maritime and Business Development Operating Expenses). These deficits reflect the allocation of a portion of Authority-wide administrative and overhead costs as well as all direct costs.

In fiscal year 2008, the Revenue attributable to the Port Properties totaled approximately $74.9 million, or approximately 12.7% of the Revenues of the Authority, and the Port Properties accounted for approximately $68.2 million of Operating Expenses, or approximately 20.3% of the Authority's Operating Expenses. In fiscal year 2008, the Port Properties realized a surplus of approximately $6.6 million in Net Revenues, the same level as fiscal year 2007. The Net Revenues from Maritime Operations was $1.5 million for fiscal year 2008 while the Net Revenue from Maritime Real Estate was $5.2 million in fiscal year 2008. Over the period shown, the Authority has pursued a policy of seeking compensatory pricing, aggressively negotiating new lease terms when possible, and revenue development through more intense use of the Port Properties and a marketing program designed to increase the volume of containers handled and the number of cruise passengers who embark or disembark in Boston, in an effort to mitigate these deficits.

Operating revenue and expense figures for the Port Properties stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Port Properties.

Bridge

In fiscal year 2008, Revenues from the Bridge were approximately $30.6 million, or approximately 5.2% of the total Revenues of the Authority. Bridge Operating Expenses for fiscal year 2008 were $12.3 million, yielding net revenue from Bridge operations of approximately $18.2 million. Effective April 4, 2004, toll rates were increased, with passenger car tolls increasing to $3.00 (less a $0.50 discount for those using the "Fast Lane" electronic toll collection system). Operating revenue and expense figures for the Bridge operations stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Bridge.

Other

Investment Income. Investment income (excluding PFCs and other trust funds not held under the 1978 Trust Agreement) increased from $15.3 million in fiscal year 2006 to $21.0 million in fiscal year 2007 and to $24.0 million in fiscal year 2008. The increase in fiscal year 2008 is due to increasing assets under management contributed to the increases in investment income during fiscal year 2008.

Intentionally Blank

Green Asphalt

Boston Logan International Airport was the first airport in the nation to use environmentally friendly asphalt on a runway repaving project, following a vote by the Massachusetts Port Authority Board to spend $6.3 million on the work. The project on Runway 4R/22L used so-called "warm mix" asphalt which is heated to between 250 and 275 degrees, some 75 to 50 degrees less than traditional "hot mix" asphalt. The difference on this project resulted in the reduction of nearly 2,000 tons of carbon dioxide, the savings of about 200,000 gallons of diesel fuel, and produced an energy savings of about 26.4 billion Btus. Another environmental benefit is up to 20 percent of the new asphalt was made from recycled asphalt.

STATEMENT OF
PFC ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2008

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of December 10, 2008 (the "PFC Annual Disclosure Statement") of the Massachusetts Port Authority (the "Authority") is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement dated as of May 6, 1999 (the "PFC Disclosure Agreement") between the Authority and The Bank of New York, as dissemination agent. Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2008 ("fiscal year 2008") updating the financial information and operating data presented in the Authority's Official Statement dated May 31, 2007 relating to the 2007 PFC Bonds (the "2007 PFC Official Statement") and the Authority's Statement of PFC Annual Financial Information and Operating Data dated as of November 16, 2007 (the "2007 PFC Annual Disclosure Statement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 2007 PFC Official Statement. This PFC Annual Disclosure Statement is part of the Authority's Comprehensive Annual Financial Report dated December 10, 2008 (the "2008 CAFR") for fiscal year 2008 and the remaining sections of the 2008 CAFR are incorporated herein by reference. The Authority's audited financial statements for fiscal year 2008 and comparative information for fiscal years 2007 and 2006, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included as part of the 2008 CAFR. The 2007 PFC Official Statement and the 2007 PFC Annual Disclosure Statement are each on file with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR").

This PFC Annual Disclosure Statement applies to the following outstanding Series of Bonds issued by the Authority:

Massachusetts Port Authority PFC Revenue Bonds, Series 2007-B (Non-AMT)
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2007-D (Non-AMT)
Massachusetts Port Authority PFC Revenue Bonds, Series 1999-B (AMT)

On June 7, 2007, the Authority issued its $48,480,000 PFC Revenue Bonds, Series 2007-B (Non-AMT) and $65,130,000 PFC Revenue Refunding Bonds, Series 2007-D (Non-AMT) which advance refunded the 1999-A PFC Revenue Bonds (Non-AMT) (collectively, the "PFC Bonds") pursuant to the PFC Trust Agreement. On June 16, 1999, the Authority issued its $67,665,000 PFC Revenue Bonds, Series 1999-A (Non-AMT) and $181,690,000 PFC Revenue Bonds, Series 1999-B (AMT) pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the "PFC Trust Agreement"), between the Authority and The Bank of New York, as trustee (the "PFC Trustee").

The Authority has issued and outstanding 17 series of bonds (the "Bonds") pursuant to the Trust Agreement dated as of August 1, 1978, as supplemented and amended (the "1978 Trust Agreement") between the Authority and U.S. Bank National Association (successor to State Street Bank and Trust Company), as trustee (the "Trustee") as of the date hereof. Please see footnote F of the Authority's financial statements as of June 30, 2008 for more detailed information. On December 29, 2000 and

January 2, 2001, respectively, the Authority issued its Subordinated Revenue Bonds, Series 2000-A, 2000-B and 2000-C, and Series 2001-A, 2001-B and 2001-C, respectively, in the aggregate principal amount of $74,000,000 (collectively, the "Subordinated Revenue Bonds"). The Subordinated Revenue Bonds are payable solely from amounts on deposit in the Improvement and Extension Fund established under the 1978 Trust Agreement and in a separate account not subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement. The Subordinated Revenue Bonds are subordinate to all of the revenue bonds issued prior to the date hereof by the Authority pursuant to the 1978 Trust Agreement.

On August 16, 2001, the Authority issued its Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001A, 2001B and 2001C (collectively, the "Delta Project Bonds") in aggregate principal amount of $497,585,000. On March 1, 2001, the Authority issued its Special Facilities Revenue Refunding Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 2001-A (Tax-Exempt) and 2001-B (Taxable) (collectively, the "Hyatt Bonds"), a portion of the proceeds of which were applied to refund all of the Authority's outstanding Special Facilities Revenue Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 1990. On December 9, 1999, the Authority issued $80,500,000 of its Special Facilities Revenue Bonds (United Air Lines, Inc. Project), Series 1999A (the "United Project Bonds"). As a result of United Air Lines' filing for bankruptcy protection in December 2002, the trustee for the United Project Bonds issued notice of an event of default. On February 1, 2006, the bankruptcy court approved the United Air Lines Plan of Reorganization and as a result, the United Project Bonds debt was discharged, along with other unsecured debt of United Air Lines. On October 21, 1999, the Authority issued its $33,120,000 Special Facilities Revenue Bonds (US Airways Project), Series 1999 (the "1999 US Airways Project Bonds") and on January 2, 1997, the Authority issued its $48,980,000 Special Facilities Revenue Bonds (USAir Project), Series 1996A (the "1997 USAir Project Bonds" and collectively with the 1999 US Airways Project Bonds, the "US Airways Project Bonds").

The Authority did not undertake any ongoing disclosure obligations in connection with the issuance of the Subordinated Revenue Bonds, the Delta Project Bonds, the Hyatt Bonds, the United Project Bonds or the US Airways Project Bonds. On May 15, 1997, the Authority issued its $111,320,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 1997 (the "1997 BOSFUEL Bonds"). On July 12, 2007, the Authority issued its $106,595,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the "2007 BOSFUEL Bonds"). The 2007 BOSFUEL Bonds were issued to finance the design and construction of improvements to the integrated jet fuel storage and distribution system at Logan Airport and to currently refund the 1997 BOSFUEL Bonds.

Pursuant to the Continuing Disclosure agreement dated as of August 1, 1997 (the "Continuing Disclosure Agreement"), between the Authority and U.S. Bank National Association (successor to State Street Bank and Trust Company), the Authority is also issuing as of December 10, 2008 the 2008 CAFR with respect to the outstanding Bonds issued pursuant to the 1978 Trust Agreement and the BOSFUEL Bonds. The 2008 CAFR has been filed with each NRMSIR and is also available from the Authority and the Trustee.

The Authority's principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Pranckevicius, CPA, the Authority's Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

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Annual Disclosure Statement

This PFC Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the PFC Trust Agreement, and not on the basis of GAAP***. The information set forth herein does not contain all material information concerning the PFC Bonds or the Authority necessary to make an informed investment decision. This PFC Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the PFC Bonds.

This PFC Annual Disclosure Statement is submitted pursuant to the PFC Disclosure Agreement. The intent of the Authority's undertaking under the PFC Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the PFC Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the PFC Disclosure Agreement the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the PFC Disclosure Agreement, the Authority has agreed with respect to the PFC Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the PFC Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the PFC Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the PFC Trustee or for the underwriters of the PFC Bonds, any registered owner or beneficial owner of PFC Bonds, any municipal securities broker or dealer, any potential purchaser of the PFC Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the PFC Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the PFC Trust Agreement or any other instruments relating to the PFC Bonds.

UPDATED OPERATING INFORMATION

Incorporation by Reference

To view the 2008 CAFR on-line, please visit http:www.massport.com/about/about_inves.html.

PFC ANNUAL FILING

The following information is provided with respect to the PFC Bonds pursuant to the PFC Disclosure Agreement.

Historical and Forecast PFCs and Estimated Debt Service Coverage

A table presenting historical PFC collections and estimated debt service coverage of the PFC Bonds as of June 30, 2008 is attached hereto as APPENDIX A.

First Lien Sufficiency Covenant

A calculation of the First Lien Sufficiency Covenant (as defined in the PFC Trust Agreement) as of June 30, 2008 is attached hereto as APPENDIX B.

Sources and Uses of Funds for 1999 PFC Bond Projects

The 1999 PFC Bond Projects consist of the "Gateway Terminal Building", comprising an addition of approximately 410,000 square feet of new space to, and renovation of approximately 170,000 square feet of existing space at, Terminal E, the international terminal at the Airport, and development of the "Gateway Roadways", comprising a new two-level system of public roads, service access and new curbside facilities. Collectively, the Gateway Terminal Building and the Gateway Roadways are referred to as the "International Gateway Project." In May 2003, the new South Addition to the Gateway Terminal Building was placed in service; however, work continues on the Gateway Terminal Building portion of the project. On September 16, 2004, the Members of the Authority authorized an increase to the project budget for the International Gateway project (excluding an additional $44.0 million of baggage screening improvements) from $322.0 million to $410.0 million. A portion of the increase in the project budget was used to effect a settlement of certain claims asserted by the previous contractor for the project, Modern Continental Construction, Inc., and to engage a new contractor, Skanska USA, Inc., for the project. Since that date, the approved project budget has increased by an additional $9.45 million, to $419.5 million (excluding an additional $44.0 million of baggage screening improvements). As of June 30, 2007, the estimated cost to complete the International Gateway Project was approximately $463.4 million (including $44.0 million of baggage screening improvements). As of June 30, 2008, excluding the cost of hold baggage screening improvements, $420.8 million had been committed through execution of construction contracts, change orders, work orders, purchase orders or other approved payments, and $415.1 million had been invoiced. The primary sources of funding for the International Gateway Project are the Authority's 1999 PFC Bonds, commercial paper (expected to be repaid with PFCs) and Revenue Bonds, Series 1999-D and 2005-B, as well as pay-as-you-go PFCs.

Amendment to PFC Application

On July 29, 2005, the Authority submitted a request to the FAA to amend the existing PFC authorization to increase the collection amount from $3.00 to $4.50, to decrease the amount of PFCs approved by the FAA to be used for certain completed projects, and to increase the FAA-approved amount for the International Gateway Project to $483,631,000. On September 2, 2005, the FAA issued a Final Agency Decision increasing the PFC collected from eligible passengers enplaning at Logan Airport to $4.50, effective October 1, 2005, increasing the amount of PFCs that may be used to fund construction and financing costs of the International Gateway Project to $483,631,000, and decreasing the amount of PFCs to be used for certain completed PFC projects. The projected charge expiration date is February 1, 2011.

On December 6, 2005, the Authority submitted a PFC Application to the FAA to add ten new projects to Logan Airport's PFC Program to amend one previously approved project and to request authority to collect a $4.50 PFC to fund the projects. On April 20, 2006, the FAA issued a Final Agency Decision approving the PFC Application (the "2006 Approval"). The Final Agency Decision approved $293.0 million in PFC collection authority for the new projects, resulting in a total PFC collection authority of $995.0 million, and approved $280.2 million in PFC use authority, resulting in a total PFC use authority of $982.2 million. The projected charge expiration date is February 1, 2016. The Authority has not yet sought PFC use authority for the Centerfield Taxiway project.

International Gateway Project Sources and Uses

	Gateway Roadways	Gateway Terminal Building	Total
PFC Pay-as-you-go Funding:			
Preliminary Design:	$ 588,000	$ 2,678,000	$ 3,266,000
Budgeted Construction Costs:	5,325,000	47,046,500	52,371,500
Budgeted OCIP:	1,380,000	12,794,000	14,174,000
Budgeted Contingency:	0	19,446,500	19,446,500
Subtotal PFC Pay-as-you-go Funding:	$7,293,000	$81,965,000	$89,258,000
PFC Revenue Bonds:			
Series 1999A:	$40,743,000		$40,743,000
Series 1999B:		$182,875,000	$182,875,000
Commercial Paper:[1]		76,367,000	76,367,000
Subtotal PFC-Related Funding:	$48,036,000	$341,207,000	$389,243,000
Non-PFC Revenue Bonds:			
Series 1990A:		$ 1,600,000	$ 1,600,000
Series 1999D:		40,582,000	40,582,000
Series 2006B:		18,879,000	18,879,000
I&E Fund - Budgeted Contingency:		3,218,000	3,218,000
Other Sources:			
TSA Grant:		9,881,000	9,881,000
Total Funding for International Gateway:	$48,036,000	$415,367,000	$463,403,000

Sources and Uses of Funds for 2007 PFC Bond Projects

The 2007-B PFC Bonds were issued to finance the PFC-eligible costs, net of grant and other funding, of the design and construction of Runway 14/32 and Associated Taxiways and Southwest Taxiway, Infield and Taxiway K Improvements, Runway 4L/22R and 4R/22L Improvements and Airfield Drainage and Perimeter Road Improvements (collectively, the "2007-B PFC Bond Projects"). The 2007-D PFC Revenue Refunding Bonds were issued to advance refund all outstanding 1999A PFC Bonds (the "Refunded Bonds"). The 2007-B PFC Bond Projects are among the capital projects approved for PFC funding by the FAA pursuant to the 2006 Approval. The following table shows the projects that will be partially or fully financed with the proceeds of the 2007-B PFC Bonds, as well as the other Approved Projects that were included in the 2006 Approval and prior year approvals.

[1] Expected to be repaid with PFCs.

APPROVED PFC PROJECTS

Project	Actual/ Budgeted Total Project Cost	Amount Funded by PFC Bonds	Amount Funded by PFC Pay-As-You-Go	Amount Funded by Commercial Paper to be Funded by PFCs	Amount Funded by Grants	Amount Funded by Authority Revenue Bonds and Cash	Actual/Expected Date of Construction	Actual/Expected Date of Completion
APPROVED PFC PROJECTS FUNDED WITH THE 2007-B PFC BONDS AND INCLUDED IN THE 2006 APPROVAL								
Runway 14/32 and Associated Taxiways	$87.5 million	$17.4 million	--	--	$52.1 million	$18.0 million	August 2004	December 2006
Southwest Taxiway, Infield and Taxiway K Improvements	$25.3 million	$7.2 million	--	--	$17.6 million	$0.5 million	April 2007	December 2007
Runway 4L-22R and 4R-22L Improvements	$33.8 million	$18.1 million	$5.1 million	--	$10.6 million	--	April 2004	March 2007
Airfield Drainage and Perimeter Road Improvements	$1.2 million	$1.2 million	--	--	--	--	June 2007	December 2007
PFC PROJECTS INCLUDED IN THE 1997 APPROVAL								
Residential Sound Insulation Program - 1999 Contour	$80.2 million	--	$15.3 million	--	$65.6 million	--	March 1991	December 2000
Logan Modernization Preliminary Design and Environmental Approval	$13.3 million	--	$9.5 million	--	--	--	May 1993	December 1997
Terminal E Modernization	$38.9 million	--	$20.9 million	--	--	$13.9 million	July 1995	July 1997
Circulating Roadways	$164.0 million	--	$144.4 million	$19.0 million	--	--	August 1998	July 2006
Elevated Walkways	$111.0 million	--	$111.0 million	--	--	--	April 1997	March 2005
PFC PROJECTS INCLUDED IN THE 1998 APPROVAL								
International Gateway including Terminal E Hold Baggage Screening System	$463.4 million	$223.6 million	$89.3 million	$76.4 million	$9.9 million	$64.2 million	August 1998	August 2008
ADDITIONAL PFC PROJECTS INCLUDED IN THE 2006 APPROVAL								
Hold Baggage Screening at Terminal C	$45.1 million	--	$6.4 million	--	$38.7 million	--	July 2002	December 2002
Terminal B Security Checkpoint Consolidation	$7.8 million	--	$7.8 million	--	--	--	September 2004	February 2007
Boundary Security Infrastructure	$15.4 million	--	$4.4 million	--	--	$11.0 million	September 2005	September 2008
Access Control	$28.0 million	--	$9.4 million	$15.0 million	$3.3 million	$0.3 million	November 2004	July 2008
Terminals B, C and E Aprons and Alleyways Reconstruction	$13.9 million	--	$13.9 million	--	--	--	July 2005	January 2007
Taxiway D Extension	$13.3 million	--	$3.3 million	--	$10.0 million	--	May 2010	February 2010
Residential Sound Insulation Program - 1998, 2001 and Runway 14-32 Mitigation Contours	$68.2 million	--	$13.6 million	--	$54.6 million	--	July 2001	March 2010
Centerfield Taxiway (1)	$53.5 million	--	$12.8 million	--	$38.6 million	$2.1 million	December 2007	June 2009

(1) Pursuant to the 2006 Approval, the Authority has the authority to collect PFCs for the Centerfield Taxiway project. The Authority received environmental approval for this project on April 20, 2007. The Authority intends to apply for authority to use PFCs for the Centerfield Taxiway project.

Additional Information

The remaining information required to be included in the Authority's Annual Filing under subsections 4(a)(ii), (iii), (iv) and 4(c) of the PFC Disclosure Agreement is included in the Authority's audited financial statements for the fiscal year ended June 30, 2008, the Letter of Transmittal, the Statistical Information or the Annual Disclosure Statement included in the 2008 CAFR.

* * *

This PFC Annual Disclosure Statement has been executed and delivered on behalf of the Authority pursuant to the PFC Disclosure Agreement.

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Appendix A

Historical PFC Revenue and Debt Service Coverage
Unaudited
(in thousands)

Fiscal Year	Enplaned Passengers (1)	Rate of Traffic Growth	Estimated Percent Passengers Paying PFCs (2)	Net PFC Collections (3)	PFC Investment Income	Total Collections Plus Investment Income	Gross Annual Debt Service (4)	Less Interest Income (5)	Net Annual Debt Service	Debt Service Coverage (6)
2000	13,800	4.15%	91.36%	$36,815	$4,483	$41,298	$13,212	$10,604	$2,608	15.84
2001	13,659	-1.02%	91.08%	36,324	3,901	40,225	21,543	9,904	11,639	3.46
2002	11,026	-19.27%	91.45%	29,445	2,652	32,097	21,547	7,402	14,145	2.27
2003	11,250	2.03%	88.55%	29,090	771	29,861	21,545	3,841	17,704	1.69
2004	12,236	8.76%	91.93%	32,845	607	33,452	21,548	895	20,652	1.62
2005	13,381	9.36%	91.32%	35,316	621	35,937	21,543	1,329	20,213	1.78
2006	13,662	2.10%	91.01%	48,324	1,265	49,589	21,546	1,305	20,241	2.45
2007	13,867	1.51%	94.46%	57,504	938	58,443	19,809	1,318	18,490	3.16
2008	13,614	-1.83%	89.92%	53,740	1,006	54,745	27,311	2,153	25,158	2.18

(1) Excludes general aviation passengers from whom PFCs are not collected.

(2) These figures are estimated based on PFC Collections for the respective fiscal years and after allowance for the air carriers' PFC Collection fee during the fiscal year. These figures are estimated because PFCs are collected from passengers at the time of ticket sale, not at the time the travel occurs.

(3) The substantial increase in net PFC collections in FY2006 reflects an increase in the authorized PFC level to $4.50, from $3.00 effective October 1, 2005. As of June 30, 2008, the air carrier PFC Collection fee was $0.11.

(4) Less accrued interest from June 1, 1999 to June 16, 1999 in the amount of $528,464 in fiscal year 2000.

(5) Interest income on the Debt Service Reserve Fund, the Project Fund and non-PFC interest income on the Debt Service Fund.

(6) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the $3.00 PFC level. Debt Service Coverage for fiscal years 2006, 2007 and 2008 reflect the pledge of revenue at the $4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first $4.50 of PFCs, rather than the first $3.00 of PFCs, was approved by Massport's Board on May 17, 2007.

Appendix B

First Lien Sufficiency Covenant
for the fiscal year ending June 30, 2008
(see attached notes and exhibits)
Unaudited

$$\textbf{First Lien Sufficiency Covenant} = \frac{\textbf{Unspent PFC Authority + Projected Additional Pledged Revenue}}{\textbf{Projected Aggregate Debt Service}} = \textbf{1.86}$$

Unspent PFC Authority =		Projected Additional (currently none)	Projected Aggregate Debt Service (calculated with the goal of minimizing the aggregate dollar amount necessary to pay and redeem the First Lien PFC Bonds whether at maturity or redemption prior to stated maturity)	
(A) Aggregate dollar amount of revenue authorized to be collected by the Authority under PFC Authority	$995,033,217	$0	Amount necessary to pay or redeem the 1999-B PFC Bonds at redemption: call date July 1, 2009 @ 101% (minimum amount); 2007-B and 2007-D PFC Bonds are redeemed at maturity	
minus			Projected Aggregate Debt Service =	
(B) the dollar amount of Cost of Projects paid to date from PFC Pledged Revenue or legally obligated to date to be paid from PFC Pledged Revenue	453,953,177		(D) Aggregate amount of Annual Debt Service for the period commencing June 30, 2008 through the optional redemption date of July 1, 2009 for the 1999-B Bonds together with premium; the 2007-B and 2007-D Bonds are redeemed at maturity	$276,075,233
(C) (including debt service paid to date on First Lien PFC Bonds but excluding Projected Aggregate Debt Service with respect to First Lien PFC Bonds)	131,643,868		minus	
Unspent PFC Authority = (A) minus sum of (B) and (C)	$409,436,172		amounts on deposit as of June 30, 2008 in the Debt Service Fund and	$21,247,163
			Debt Service Reserve Fund, and projected interest earnings on the Project Funds and	29,437,000 339,303
			the Debt Service Reserve Fund	4,430,413
			(E) Subtotal	$55,453,879
			Projected Aggregate Debt Service = (D) minus (E)	$220,621,354

(A), (B), (C), (D), (E): See attached notes

Note:

(A) See FAA's Record of Decision, dated April 20, 2006, page 2 (attached as Exhibit 1)

(B) This figure is the total of (1) pay-as-you-go expenditures paid through June 30, 2008 plus (2) binding commitments legally obligated to be paid (but not yet paid as of June 30, 2008).

		Paid to Date *	Legally Obligated to be Paid **
PFC Project 1:	Residential Sound Insulation Projects	$15,325,217	$0
PFC Project 2A:	Logan Modernization Program Planning, Preliminary Design and Environmental Analysis	9,513,984	0
PFC Project 3:	Terminal E Modernization	20,891,765	0
PFC Project 4:	Circulating Roadways	137,809,494	0
PFC Project 6:	International Gateway	79,789,278	3,537,323
PFC Project 17:	Elevated Walkways	110,720,934	0
PFC Project 20:	Residential Sound Insulation 1998 and 200165 Ldn Contours	3,638,882	4,903,334
PFC Project 21:	Residential Sound Insulation 14/32 Mitigation Contour	2,251,922	2,155,173
PFC Project 22:	Runway 14/32 and Associated Taxiways	2,303,470	0
PFC Project 23:	Taxiway Improvements	636,358	0
PFC Project 24:	Runway Improvements	2,309,827	1,788,046
PFC Project 25:	Reconstruction of Aprons & Alleyways	8,815,938	3,536,281
PFC Project 26:	Security Improvements	9,054,311	34,971,639
PFC Project 27:	Centerfield Taxiway	0	0
PFC Project 30:	Airfield Drainage Improvements	0	0
PFC Project 31:	Airfield Perimeter Road Improvements	0	0
Total		$403,061,380	$50,891,796
Total of Paid to Date and Legally Obligated to be Paid:			$453,953,177

*Source: June 30, 2007 Passenger Facility Charge Quarterly Report. (See Exhibit 2.) For PFC Project 6, the Paid to Date figure shown here does not include $152,891,030.80 of PFC Pledged Revenue used to pay debt service on the 1999A and 1999B PFC Revenue Bonds through June 30, 2008.

**Legally Obligated to be Paid Amounts:

PFC Projects 1, 2A and 3: These projects are complete.

PFC Projects 4, 6 and 17: Source: Logan Modernization Cost Report, June 2008.

PFC Projects 20 to 31: Source: Massport Capital Programs Quarterly Report for quarter ended June 30, 2008.

(C) Debt Service Paid to Date consists of the interest and principal payments made to bondholders through January 2, 2008. The amount of PFC Pledged Revenue used to pay debt service was $131,643,868.30.

(D) Aggregate amount of Annual Debt Service as of June 30, 2008 assuming the 1999-B Bonds are redeemed (including premium) at earliest possible date: July 1, 2009; the 2007-B and 2007-D Bonds are redeemed at maturity $276,075,233

Aggregate amount of Annual Debt Service as of June 30, 2008 assuming the 1999-B Bonds are redeemed July 1, 2010; the 2007-B and 2007-D Bonds are redeemed at maturity $279,959,373

Aggregate amount of Annual Debt Service as of June 30, 2008 assuming the 1999-B, 2007-B and 2007-D Bonds are redeemed at maturity $291,930,583

(See attached Exhibit 3)

(E) Sum of amounts on deposit as of June 30, 2008 in the Debt Service Fund and Debt Service Reserve Fund, and projected interest earnings on the Project Funds and Debt Service Reserve Fund:

assuming the 1999-B Bonds are redeemed at earliest possible date: July 1, 2009 $55,453,879

assuming the 1999-B Bonds are redeemed July 1, 2010 $56,300,817

assuming the 1999-B, 2007-B and 2007-D Bonds are redeemed at maturity $60,012,412

(See attached Exhibit 3)

Exhibit 1

Cumulative PFC Authority Including Current Decision

For the purposes of any future amendments under §158.37, which may increase the total approved net PFC revenue, the following amounts, "Approved for Use", are specified. The applicability of §158.37(b) is determined by comparing the sum total actual costs of all projects approved for use of PFC revenue within a given application. The amount "Approved for Collection" shown for each application is the total collection authorized for all projects within a given application, including those for which only collection is authorized.

DECISION SUMMARY TABLE

Application Number	Approved for Collection	Approved for Use
93-01-C-00-BOS	$598,800,000	$12,028,000
93-01-C-01-BOS	($361,138,000)	($1,682,000)
93-01-C-02-BOS	$231,102,000	$ -0-
93-01-C-03-BOS	$295,552,000	$ -0-
93-01-C-O4-BOS	($62,300,783)	($832,000)
96-02-C-00-BOS	$163,037,000	$482,901,000
96-02-C-01-BOS	$ - 0-	($110,993,783)
96-02-C-02-BOS	($163,037,000)	($163,037,000)
97-03-U-00-BOS	$ -0-	$434,106,000
97-03-U-01-BOS	$ -0-	$49,525,000
06-04-C-00-BOS	$293,018,000	$280,176,000
Totals	**$995,033,217**	**$982,191,217**

Exhibit 2

PFC Quarterly Report
Project Activity
General Edward Lawrence
Logan International Airport
Quarter Ended June 30, 2008

Projects	Approval of Use Date	Project Start	Project Stop	Cumulative Expenditures	Amount of Use Approval	Current Estimated Costs
Project 1- Residential Sound Insulation (RSIP)	27-Jan-97	1-Jan-91	31-Dec-00	$15,325,217	$15,323,217	$15,325,217
Project 2A - Logan Modernization Program (LMP) Planning, Preliminary Design, and Environmental Analysis	24-Aug-93	1-Jul-93	31-Dec-97	9,513,984	9,514,000	9,513,984
Project 3 - Terminal E Improvements	27-Jan-97	1-Jul-94	31-Aug-97	20,891,765	20,892,000	20,891,765
Project 4 - Roadway System (Circulation and Terminal E)	27-Jan-97	1-Jul-95	31-Jan-07	137,809,494	172,655,000	171,269,000
Project 6 - International Gateway	5-Feb-98	1-Jul-95	30-Jun-09	232,680,309	483,631,000	483,631,000
Project 17 - Elevated Walkways	20-Apr-06	1-Jun-95	30-Jun-05	110,720,934	112,298,000	112,298,000
Project 20 - Residential Sound Insulation -1998 &2001- 65 LDN Contours	20-Apr-06	1-Jul-01	30-Jun-08	3,638,882	8,590,000	8,590,000
Project 21- Residential Sound Insulation -Runway14/32 Mitigation Contour	20-Apr-06	1-Sep-05	31-Mar-10	2,251,922	5,200,000	5,200,000
Project 22 - Runway 14/32	20-Apr-06	1-Aug-04	31-Dec-06	2,303,470	31,240,000	31,240,000
Project 23 - Taxiway Improvement	20-Apr-06	1-Oct-06	30-Jun-10	636,358	11,243,000	11,243,000
Project 24 - Runway Improvement -to 4L-22R and 4R-22L	20-Apr-06	1-Apr-04	31-Jan-07	2,309,827	32,210,000	32,210,000
Project 25 - Reconstruction of Aprons & Alleyways at Terminal B, C, D	20-Apr-06	1-Sep-05	31-Dec-07	8,815,938	13,933,000	13,933,000
Project 26 - Security Improvement	20-Apr-06	1-Aug-02	31-Dec-07	9,054,311	63,815,000	63,815,000
Project 30 - Airfield Drainage Improvement	20-Apr-06	1-Jul-06	31-Jan-08	0	549,000	549,000
Project 31- Airfield Perimeter Road Improvement	20-Apr-06	1-Jul-07	29-Feb-08	0	1,098,000	1,098,000
Total Impose and Use (1)				$555,952,411	$982,191,217	$980,806,966

(1) In addition to the above, PFC Project 27 - Centerfield Taxiway, has been approved for impose Only Authority in the amount of $12,842,000; bringing Logan Airport's total collection authority to: $995,033,217.

Exhibit 3
(Page 1 of 3)

Amount necessary to pay or redeem the 1999-B PFC Bonds at July 1, 2009 redemption date; 2007B & 2007-D Bonds are redeemed at maturity:

1	Principal Payment to be made on July 1, 2008 - 1999-B Bonds	12,005,000
2	Principal Payment to be made on July 1, 2008 - 2007-B and 2007-D Bonds	3,535,000
3	Principal Payment to be made on July 1, 2009 - 1999-B Bonds	12,630,000
4	Principal Called and Redeemed on July 1, 2009 - 1999-B Bonds - Called @ 101%	87,471,050
5	Principal Payment to be made on July 1, 2009 - 2007-B and 2007-D Bonds	3,910,000
6	Principal Payment to be made on July 1, 2010	4,065,000
7	Principal Payment to be made on July 1, 2011	4,220,000
8	Principal Payment to be made on July 1, 2012	4,385,000
9	Principal Payment to be made on July 1, 2013	4,560,000
10	Principal Payment to be made on July 1, 2014	4,735,000
11	Principal Payment to be made on July 1, 2015	8,965,000
12	Principal Payment to be made on July 1, 2016	22,325,000
13	Principal Payment to be made on July 1, 2017	52,910,000
14	Principal Balance Remaining to be Paid as of June 30, 2008 with call premium (Sum of Rows 1-13)	$225,716,050
15	Interest Payments made July 1, 2008 - 1999-B Bonds	3,034,263
16	Interest Payments made July 1, 2008 - 2007-B and 2007-D Bonds	2,672,900
17	Interest Payments to be made July 2, 2008 through July 1, 2009 - 1999-B Bonds	5,443,820
18	Interest Payments to be made July 2, 2008 through July 1, 2009 - 2007-B and 2007-D Bonds	5,204,400
19	Interest Payments to be made July 2, 2009 through July 1, 2010	5,048,500
20	Interest Payments to be made July 2, 2010 through July 1, 2011	4,886,275
21	Interest Payments to be made July 2, 2011 through July 1, 2012	4,717,725
22	Interest Payments to be made July 2, 2012 through July 1, 2013	4,542,525
23	Interest Payments to be made July 2, 2013 through July 1, 2014	4,360,275
24	Interest Payments to be made July 2, 2014 through July 1, 2015	4,137,650
25	Interest Payments to be made July 2, 2015 through July 1, 2016	3,731,450
26	Interest Payments to be made July 2, 2016 through July 1, 2017	2,579,400
27	Interest Remaining to be Paid as of June 30, 2008 (Sum of Rows 16-26)	$50,359,183
28	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2008 assuming redemption of 1999-B Bonds at first call date, July 1, 2009 (Sum of Rows 14 and 27)	$276,075,233
29	Projected earnings on Debt Service Reserve Fund as of June 30, 2008	(4,430,413)
30	Projected earnings on the Project Fund as of June 30, 2008	(339,303)
31	Balance of the Debt Service Fund as of June 30, 2008	(21,247,163)
32	Balance of the Debt Service Reserve Fund as of June 30, 2008	(29,437,000)
33	Subtotal (Sum of Rows 29-32)	($55,453,879)
36 *	**Amount necessary to pay or redeem the 1999-B PFC Bonds at July 1, 2009 redemption date; 2007B & 2007-D Bonds are redeemed at maturity:** (Sum of Row 28 and Row 33)	$220,621,354

*Minimum amount necessary to pay or redeem the PFC Bonds at maturity or redemption.

Exhibit 3
(Page 2 of 3)

Amount necessary to pay or redeem the 1999-B PFC Bonds at July 1, 2010 redemption date 2007B & 2007-D Bonds are redeemed at maturity:

1	Principal Payment to be made on July 1, 2008 - 1999-B Bonds	12,005,000
2	Principal Payment to be made on July 1, 2008 - 2007-B and 2007-D Bonds	3,535,000
3	Principal Payment to be made on July 1, 2009 - 1999-B Bonds	12,630,000
4	Principal Payment to be made on July 1, 2009 - 2007-B and 2007-D Bonds	3,910,000
5	Principal Payment to be made on July 1, 2010 - 1999-B Bonds	13,325,000
6	Principal Called and Redeemed on July 1, 2010 - 1999-B Bonds - Called @ 100%	73,280,000
7	Principal Payment to be made on July 1, 2010 - 2007-B and 2007-D Bonds	4,065,000
8	Principal Payment to be made on July 1, 2011	4,220,000
9	Principal Payment to be made on July 1, 2012	4,385,000
10	Principal Payment to be made on July 1, 2013	4,560,000
11	Principal Payment to be made on July 1, 2014	4,735,000
12	Principal Payment to be made on July 1, 2015	8,965,000
13	Principal Payment to be made on July 1, 2016	22,325,000
14	Principal Payment to be made on July 1, 2017	52,910,000
15	Principal Balance Remaining to be Paid as of June 30, 2008 with call premium (Sum of Rows 1-14)	$224,850,000
16	Interest Payments made July 1, 2008 - 1999-B Bonds	3,034,263
17	Interest Payments made July 1, 2008 - 2007-B and 2007-D Bonds	2,672,900
18	Interest Payments made July 2, 2008 through July 1, 2009 - 1999-B Bonds	5,443,820
19	Interest Payments made July 2, 2008 through July 1, 2009 - 2007-B and 2007-D Bonds	5,204,400
20	Interest Payments made July 2, 2009 through July 1, 2010 - 1999-B Bonds	4,750,190
21	Interest Payments made July 2, 2009 through July 1, 2010 - 2007-B and 2007-D Bonds	5,048,500
22	Interest Payments made July 2, 2010 through July 1, 2011	4,886,275
23	Interest Payments made July 2, 2011 through July 1, 2012	4,717,725
24	Interest Payments made July 2, 2012 through July 1, 2013	4,542,525
25	Interest Payments made July 2, 2013 through July 1, 2014	4,360,275
26	Interest Payments made July 2, 2014 through July 1, 2015	4,137,650
27	Interest Payments made July 2, 2015 through July 1, 2016	3,731,450
28	Interest Payments made July 2, 2016 through July 1, 2017	2,579,400
29	Interest Remaining to be Paid as of June 30, 2008 (Sum of Rows 16-28)	$55,109,373
30	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2008 assuming redemption of 1999-B Bonds on July 1, 2010 (Sum of Rows 15 and 29)	$279,959,373
31	Projected earnings on Debt Service Reserve Fund as of June 30, 2008	($5,277,352)
32	Projected earnings on the Project Funds as of June 30, 2008	(339,303)
33	Balance of the Debt Service Fund as of June 30, 2008	(21,247,163)
34	Balance of the debt Service Reserve Fund as of June 30, 2008	(29,437,000)
35	Subtotal (Sum of Rows 31-34)	($56,300,817)
36	**Amount necessary to pay or redeem the 1999-B PFC Bonds at July 1, 2010 redemption date; 2007B & 2007-D Bonds are redeemed at maturity:** (Sum of Row 30 and Row 35)	$223,658,555

Exhibit 3
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Amount necessary to pay or redeem all the PFC Bonds at maturity:

1*	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2008 assuming bonds are redeemed at maturity	$291,930,583
2	Projected earnings on Debt Service Reserve Fund as of June 30, 2008	($8,988,947)
3	Projected earnings on the Project Funds as of June 30, 2008	(339,303)
4	Balance of the Debt Service Fund as of June 30, 2008	(21,247,163)
5	Balance of the Debt Service Reserve Fund as of June 30, 2008	(29,437,000)
6	Subtotal (Sum of Rows 2-5)	($60,012,412)
7	**Amount necessary to pay or redeem the PFC Bonds at maturity:** (Sum of Row 1 and Row 6)	$231,918,171

*Sources: 1999-B Bonds: Final Pricing Information Book, June 1999, Tab D, Pricing Results, page 15;
2007-B and 2007-D Bonds: Final Pricing Information Book, June 2007, Tab D, Pricing Results, page 7.

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